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AN

EXPOSITION

OF

IRISH EXCHANGE,

AND OF OTHER

IMPORTANT SUBJECTS;

BEING PART OF

A SERIES OF LETTERS,

ADDRESSED TO

THE RIGHT HONORABLE

LORD GRENVILLE,

FIRST LORD OF HIS MAJESTY'S TREASURIES

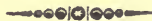
IN

GREAT BRITAIN AND IRELAND,

*Ec. Ec. Ec. Ec.*



BY D. BEAUMONT PAYNE, ESQ.



CITY OF WELLS:

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TO

*The Right Honorable***LORD GRENVILLE,****FIRST LORD OF HIS MAJESTY'S TREASURIES IN  
GREAT BRITAIN AND IRELAND.***Ec. Ec. Ec. Ec.*

MY LORD,

THE present Chancellor of the Exchequer, Lord HENRY PETTY, having honored me with information that " the State of the Exchange between this Country and Ireland will shortly become a subject of serious investigation by his Majesty's Ministers ; and that his Lordship will then be happy to give every attention to any suggestions with which I may please to favor him:" and as I have also been given to understand that if copies of my papers were multiplied by printing, they might be more conveniently perused; I feel it my duty to pre-

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sent the fruits of my labor in the best manner I can, although my numerous private duties have prevented that final arrangement, which would have better fitted these sheets for public examination.

The flattering attentions which my communications on the subject of Exchange obtained from the late First Lord of the Treasury, give me reason to presume that, at least, the MATTER of my ideas is worthy the consideration of his Majesty's Government; yet I am fully sensible of my inability to present them in any other dress than that of an unpolished student in political œconomy. There is, however, in simple unaffected truth, a charm that, like "beauty, needs not the "foreign aid of ornament;" and if the desire of establishing truth be every where apparent in the following pages, I shall not despair of an advocate in every honest statesman, every elegant scholar, and every liberal critic: through whose favor, I may be hereafter enabled to publish a *System*, that, I hope, will be eminently entitled to the study of every well-wisher to his King and Country.

I believe that the care of the KING's revenue is one of the principal duties of your Lordship's official situation ; and therefore, as my papers relate materially and essentially to the revenues of Great Britain and Ireland, and to the well-being of all his Majesty's subjects, I address them directly to your Lordship, rather than to either of the other Noble and Right Honorable Persons who have gratified me by their polite and liberal consideration.

If I could have found in the numerous publications that have issued from the press, a complete exposition of the origin of the principal grievances in Irish Exchange, I should not have thus troubled your Lordship :—but having discovered that the opinions of many able writers on this subject have been founded upon erroneous premises, tending rather to mislead than to assist the Members of the Executive Government ;—that many persons who might have been supposed well and practically acquainted with the business of Exchange, and who were examined by the “ Committee of the Commons appointed “ to enquire into the state of Ireland, as to its “ circulating paper, its specie, and current coin,

“and the Exchange between that part of the “United Kingdom and Great Britain,” answered several pertinent questions in a manner that, according to my practical knowledge, appears very remote from the truth;—that other questions were entirely evaded, or answered so as to conceal the truth;—that the Committee were, in fact, misinformed on many material points that affected their report;—that the remedies hitherto adopted by the Irish Government will rather perpetuate than remove the evils complained of;—that these evils are, in fact, more lamentable in their consequences than would be imagined without plain and unequivocal demonstrations;—that such demonstrations can be given with comparative ease, in every point of the enquiry; (whereby, of course, the proper remedies will be suggested)—that the general business of Exchange is a complete, though complicated, system; which has for more than five centuries, enabled the merchants to enrich themselves at the expence both of the people and of the successive Governments;—that *to the* EXCHANGE must be referred the CAUSES of all the variations, at different periods in the nominal value of the precious metals used as current money;—that by it the legal

tributary impositions on mercantile commodities are partly evaded;—that from the same cause the REVENUE of the State is rendered less efficient, and the necessity for new taxes is greatly increased on every occurrence of foreign war;—that by the Exchange and Current Money the kingdom is immensely defrauded in the produce of public loans;—that, through the effects of the Exchange-system, the British Government has seldom borrowed money to supply the public exigencies without sustaining a loss of nearly 50 per cent.; although the Loan-system has been resorted to, and endured as a means of relieving the pressure of the public burthens, and of avoiding the levy of the necessary supplies within the current years;—that, in fact, the burthens of the people and the expences of every war have been enormously increased by every application to the FUNDING SYSTEM; which involves one of the greatest fallacies that ever imposed upon a loyal kingdom;—that it is most unjustly partial in its operation, and gives to *one description* of subjects an oppressive power over the rest; and that, finally, it keeps the Executive Government continually dependant on the GOVERNORS OF THE EXCHANGE, (who are almost uniformly con-

sulted in cases of pecuniary difficulties;—who are, in fact, the principal authors of those difficulties, and derive immense profits from them;—and who, therefore, cannot be expected to give that advice which the Government seeks;—which would cut off the creative profits of Exchange; and disclose the system that has been so lucrative to its authors for many generations.) I say, that having made these important discoveries by dint of incessant study and many privations, I deem it a part of my public duty to submit them to your Lordship for the consideration of his Majesty's Government. If they be found to accord with my representations, I shall be certain of that recompence which is most grateful to the human heart; and if I am unfortunately mistaken, this consolation at least will remain to me, that I have honestly labored to deserve the approbation of my King and of my Country.

Some parts of my papers having been submitted to, and adopted by, the late Mr. Pitt, I shall first exhibit those parts: not merely for the purpose of a GENERAL EXPOSITION *of the Principles of EXCHANGE*; but to shew the origin of that measure, of which notice was given in the

COURIER, and other papers, on the 7th of January 1805; and which was afterwards abandoned in a manner not much to the satisfaction or honor of the parties concerned.

It will be seen that although I was correct in the *general* principle of Exchange, yet that in discussing subordinate parts, I had in those papers fallen into some inaccuracies, in consequence of the hasty and comparatively superficial view which I had then taken of the subject; but those inaccuracies will be fully corrected by the particular expositions and demonstrations in the subsequent pages of this Work: and I shall not relinquish my endeavor to get at the truth, 'till I have satisfactorily accomplished that desirable end of my laborious researches.

Although I cannot approve of the temporary measures suggested by the Exchange-Committee, and authorized by the legislative wisdom of Parliament, yet I feel for those authorities the most respectful sentiments.—That Committee in their Report to the House of Commons, expressly stated “ that *if their enquiries have failed to enable them to propose any effectual remedy, still a re-*

*“ medy ought to be sought for by the wisdom of the House.”*—The remedies adopted have been found insufficient. Those which will be suggested in the course of this Work will naturally arise from a discovery of the *real* causes of the long-lamented grievance.—The present comprehensive Administration will thoroughly investigate the evidence before them; and, I trust that, the result of their deliberations will be a durable benefit—not to Ireland alone, but—to the whole British empire.

I have the honor to be, with the most profound respect, my Lord,

YOUR LORDSHIP'S

most obediently devoted

and very humble Servant,

***D. BEAUMONT PAYNE.***

WELLS, Somerset,  
June, 1806.

AN  
EXPOSITION  
OF SOME OF THE SECRET CAUSES  
OF  
*THE MUCH-LAMENTED GRIEVANCES*  
IN  
IRISH EXCHANGE.

“ Every grain diminished from the just weight of our money, is  
“ so much loss to the nation; which will one time or other be  
“ sensibly felt.”—See Considerations on raising the Value of Money.  
Locke’s Works, ninth Edition, Vol. IV. p. 97.

“ Money is the measure of commerce, and of the RATE of every  
“ thing, and therefore, ought to be kept (as all other measures) as  
“ steady and *invariable* as may be.”—Ibid. p. 100.

“ This business of money and coinage is by some men, and  
“ amongst them some very ingenious persons, thought a great my-  
“ stery, and very hard to be understood. Not that truly in itself  
“ it is so, but because *interested people*, that treat of it, wrap up the  
“ SECRET, they make advantage of, in a mystical, obscure, and  
“ unintelligible way of talking; which men, from a *preconceived opinion*  
“ of the difficulty of the subject, taking for sense in a matter not  
“ easy to be penetrated but by men of art, let pass for current with-  
“ out examination. Whereas would they look into those discourses  
“ and inquire what meaning their words have, they would find for  
“ the most part, either their positions to be false, their deductions  
“ to be wrong, or (which often happens) their words to have no  
“ distinct meaning at all. Where none of these be, then their *plain*,  
“ *true*, *honest sense* would prove very easy and intelligible, if ex-  
“ pressed in ordinary and direct language.”—Ibid. p. 103—4.

“ The price of things will always be estimated by the quantity of  
“ silver given in exchange for them. And if you make your money  
“ less in weight, it must be made up in *tale*.”—Ibid. p. 112

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TO

*The Right Honorable*

LORD GRENVILLE,

*Ec. Ec. Ec. Ec.*

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MY LORD,

IN consequence of an interview with the late RIGHT HONORABLE WILLIAM PITT, in December, 1804, I privately addressed to him a Letter, at the end of that month, in nearly the following terms.

SIR,

I CANNOT better convey my sense of the honor conferred by the desire which you were pleased to express for my ideas, in writing, upon the subject of Exchange between Great Britain and Ireland, than by losing no time in complying with that desire to the full extent of my abilities.

The mass of evidence which the industry of the COMMITTEE of the House of Commons collected and their REPORT thereon, form (in my estimation) one of the most interesting commercial volumes that ever occupied the attention of a British merchant.

But the opinion which the Committee entertained and reported to the House of Commons, that “*the unfavorable Exchange arises from a DEPRECIATION of the circulating paper of Ireland,*” and the manner in which that opinion is supported are points together so extremely alarming, that I hope to be excused by you, Sir, and by my country, for calling your attention to “the minutes of evidence” whereon the opinion is said to have been founded.

With all due respect and submission to that honorable Committee, I think, I shall be able to prove, not only that their inferences from the premises were greatly incorrect, but also that the remedy, adopted for the “cure or alleviation” of the actually existing evil, was rendered inadequate by the unfortunate adoption of a temporary measure to supply the want of small

circulating coin: whereby the very lamentable distresses and burthens of Exchange have been continued;—to the great and manifest injury of his Majesty's Irish subjects, residing both in England and in Ireland.

The high rate of Exchange, while a loan of £4,500,000 is actually in a course of remittance to Ireland, incontestably proves to my mind, that the Committee mistook an EFFECT for a CAUSE; and that the till-lately-unprecedented high rate of Exchange has not proceeded from those circumstances which are so prominently placed as the basis of their Report.

Yet, Sir, the dreadful evil exists in strength and magnitude so formidable, that every exertion should be made to discover its origin—to prevent its further growth—to expel it from the country, and to render its return impossible at any future period.

For these ends, Sir, (as the subject is worthy of your exalted station) I have ventured to ask your attention:—and I now request that you will patiently go with me through those material

parts of the evidence which appear to yield a clue to the monster's den. If we find him (and I do not doubt our success) effectual means may be speedily devised for accomplishing a total relief: and the country may at length be freed from that oppressive operation which many have lamented, but without contributing the requisite and long-sought assistance.

Such is the importance of Paper-Credit in all the pecuniary transactions of the United Kingdom; and so intimate its connection with the interests of every rank and denomination of society; that it becomes a point of moment to ascertain whether a *depreciation* has or not actually taken place in the *Bank of Ireland paper*. For the arguments in proof of a depreciation may, if just, be occasionally applied to the paper of the *Bank of England*. Yet it is *not* reported by the Committee that Bank of England paper is in any degree depreciated: and I undertake to prove\* that,

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\* The Author's opinion is, that either the Notes of the Bank of England and of the Bank of Ireland are both depreciated—or that neither of their Notes are depreciated; and he has confidence that Mr. Foster's idea of DEPRECIATION, as it appears in page 9, of the Committee's Report, will support the assertion that the Notes are NOT depreciated.—The question will be fairly discussed in a subsequent paper.

if the notes of the BANK of ENGLAND are NOT *depreciated*, then the ideas of the Committee, as to the Depreciation of "the Notes of the BANK and reputable Bankers of IRELAND," are altogether unfounded.

If "brevity is the soul of wit" it is also the spirit of business—therefore, Sir, without farther preface, I hasten by the shortest road to the haunts of that truth which is equally the object of our research.

I admit (in the language of the Committee-Report) "the existence of an unfavorable and high rate of Exchange between England and Ireland :"—I admit also (according to Mr. Puget's accurate Tables) that when at BELFAST the rate of Exchange, upon giving GOLD *for* DRAFTS on LONDON, was only seven and a quarter *per cent.* the rate at DUBLIN, upon giving PAPER of the BANK of IRELAND for drafts on London, was *nineteen per cent.*: making a difference between Belfast and Dublin of £11. 15s. *per cent.*—I admit also, that "an Irish Bank note for one guinea has often, and generally in Dublin for some time, been given with two shil-

lings for an English guinea in gold ;” and that the same guinea would repurchase “ a guinea-note of the Bank of Ireland and also two shillings.”—But, Sir, I do NOT admit that, “ when Exchange is the object of enquiry,” these facts amount to proof that “ *the circulating paper is by so much depreciated* ;” although this comparative valuation “ keep pace with the difference in the Exchanges of Belfast and Dublin.” It is upon this point that the whole enquiry hinges: and it is this consideration which constitutes the intricacy and difficulty of our subject.

In searching history for authorities to establish the *date* and *cause* of the difference between English and Irish money, I have found that the money of Ireland has been frequently changed :—that in the reign of King JAMES the First, “ *the Irish monies were in every respect like the English\**”—and that for more than a century past Ireland has had no coin peculiar to itself; excepting COPPER.

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\* See Sir James Ware’s *Antiquities of Ireland*. (Vol.) V. II. p. 218. &c.

Dr. Smollett mentions that in the reign of King GEORGE the First, William Wood had a contract to supply Ireland with a coinage of half-pence ; which occasioned a great clamour, as they were deficient in weight, &c. : and that in consequence only £40,000 of that coinage were issued.

Although this authority is not sufficiently explicit of the fact, I am inclined to think that the Irish people were reconciled to the issue of that copper coin, in consideration of their receiving *thirteen-pence* of it, in 'change for every English *shilling* : and that a compromise of that nature gave rise to the *PAR rate*\* which has ever since prevailed between England and Ireland.

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\* In Lord Liverpool's Letter to the King (published since the date of this Letter) there is a note (page 100) which says that the *par* of  $8\frac{1}{2}$  *per cent.* was made by a proclamation of James II. dated *25th March*, 1689, when he returned to Ireland from France, after his abdication ; and that it has continued so ever since : and a reference is given to Simon's Irish Coins, p. 150.—I have not yet been able to meet with Simon's Irish Coins.—But, in Sir James Ware's "*Antiquities of Ireland*," (Vol. II. p. 218, &c.) it is mentioned, that " in 1689, after King James II. had abdicated the crown, a " mint was set up in Dublin for coining money of the worst " kind of brass, old guns, and the refuse of metals valued at

Be this as it may, Sir, all who are acquainted with the matter agree that *thirteen* IRISH *pence*, are but *equal* to *twelve* ENGLISH *pence*; and that the *money-tables* of England and Ireland are the same: that is, 12 pence make one shilling; and 20 shillings — one pound.

Now, Sir, if *one hundred pounds* ENGLISH be reduced to IRISH *pence*, by multiplications of 20 and 13, the result will be 26,000 pence: and these pence divided by 12 and 20, will give £108 : 6 : 8, being a *difference* between the English and Irish money of £8 : 6 : 8, or eight and

“ about three-pence or four-pence a pound weight, which by  
 “ proclamation (the 18th of that year) were made current, under the denominations of half crowns, shillings and six-pences; so that *eight half crowns were not intrinsically*  
 “ *worth two-pence*. His half-pence and farthings were of  
 “ block tin, with a speck of copper in the middle.—In this  
 “ wretched sort of money the popish soldiers were paid their  
 “ subsistence; and the protestant tradesmen and creditors were  
 “ obliged to receive it for their goods and debts, at a loss of  
 “ upwards of £60,000 a month.

“ After the success of the battle of the Boyne, King  
 “ William, by proclamation, on the 10th *July* 1689, put a  
 “ stop to the currency of King James’s base coin, other than  
 “ at the values following, viz. the large *half-crown* to pass at  
 “ a penny, the small half-crown at three farthings, the large  
 “ copper shilling at a half-penny, and the small shillings and  
 “ six-pences at a farthing.”

a third per cent. which difference constitutes the *reputed* PAR OF EXCHANGE between ENGLAND and IRELAND.

The evidence before the Committee states, and the Committee themselves bear witness, that “there is no mint coin in circulation in Ireland:” consequently *Irish money* is either *counterfeit* or *nominal*; and the *money of account* in Ireland is *altogether* NOMINAL.

These points being clearly understood; it is further necessary to remark, that many of the difficulties in writing upon the subject of IRISH

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Having no opportunity of referring to the proclamation (nor immediately to Simon's Irish Coins) I cannot attempt a refutation of the authority.—But I may be permitted to remark, that it is a most extraordinary circumstance if a *proclamation issued by King James the II. after his abdication of the crown*, has been suffered to remain in force as a law, so as to determine, ever since, the nominal value of the Irish money: especially as the circulation of the base coin issued by that monarch in March, 1689, was stopped by the proclamation of King William so soon after as the 10th of July, in the same year. It can, if true, be accounted for, only by referring it to the influence of such mercantile advisers, as have since occasioned the modern variations in the nominal value of the current money.

EXCHANGE seem to have arisen from the circumstance of the *gold and silver coins of ENGLAND* being constantly current in IRELAND *as if they were* IRISH MONEY ; whereas in fact, IRELAND *has no* GOLD or SILVER coin ; but our *English pieces* circulate there with a NOMINAL value affixed to them, exactly equivalent to the number of IRISH pence contained in each of those pieces : that is, an *English* SHILLING is called thirteen pence, and a GUINEA £1 : 2 : 9 *Irish*.

When the issues of gold from the Bank of ENGLAND were *suspended*, it was thought necessary also *to suspend the issues from the Bank of* IRELAND : which was done accordingly. The predicaments of the *two* Banks were, however, greatly dissimilar : and the *latter* required a government very different from the Bank of England. Yet the *novelty* of the measure of suspending the cash issues was such as could not be immediately contemplated in all its bearings and connexions : but it furnishes very interesting matter for our present consideration.

From the moment of the RESTRICTION the Bank of IRELAND was confined, in effect, to the use of

*SILVER alone, as its cash payment.*—*SILVER*, therefore, became under the Act of Restriction, the actual currency of Ireland: and consequently the only current Irish measure of value.

Its influence upon Exchange was not alarmingly perceptible till the balance of trade and account turned against Ireland; then the *exchange found its proper\* level*.

I cannot avoid smiling, Sir, at the great variety of arguments and opinions which have been hazarded upon this point: but *I grieve* at the *gains* which some men must have *heaped* by a most reprehensible concealment of the *truth*; while they were *gorging* upon the *vitals* of their country. When I see the names of men whose *business* required a daily practice of all those rules

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\* The epithet "proper" is used here with reference to the regular system of Exchange which this Work is intended to disclose.—The whole sentence, however, would have been more correct, if it had been said, that the influence of the *silver measure* was not alarmingly perceptible till the demands for money on the Continent afforded to the GOVERNORS OF EXCHANGE an opportunity for raising the price of *SILVER-BULLION*; then its consequences began to be severely felt.

and calculations which disclose the profitable mystery,—under which Ireland has been *pil-laged*,—the poor have been starved,—and fortunes have been accumulated;—I blush for the honor of those men; and charitably hope that they are indeed as *ignorant* as they appear to have been artful and avaricious.

The operation of the loans raised in England for the use of Ireland prevented some of the great inconveniences which the restriction of the Bank of IRELAND must otherwise have produced: *because that Bank was NOT COMPELLED BY LAW to furnish for its own notes, Bank of England notes, or drafts upon London at or near par.* Such a measure would have been both *just* and *beneficial to the Bank*:—for even then the DIRECTORS of the Bank of Ireland would have been *saved the expence* which before the restriction was *frequently incurred in procuring guineas from England.* The BANK of ENGLAND, Sir, was the *dernier resort* for guineas as often as the Irish Bank Directors found them necessary to recruit their diminished stores: and, *as notes of the Bank of England could AFTER the restriction have been obtained from England as easily as GUINEAS*

were BEFORE; the *deficiency of the law* ought to have been supplied by the *prudence and good management* of those Directors; who *by drawing upon LONDON*, might have increased the equitable sources of profit to the Irish Bank, and have given ease and regularity to the commercial and pecuniary intercourse of the two kingdoms.

As to the “balance of debt due from Ireland to England” which so many of the persons examined by the Committee declared to be the cause of the high rate of Exchange, I am firmly of opinion that *the BALANCE has been constantly against ENGLAND*, except during the years of scarcity; and I think, Sir, that you will soon be inclined to a similar opinion—To ascertain the fact, we must thoroughly understand the nature and principle of Exchange; which is thus defined.

Exchange, or the course of Exchange, is the rate or allowance, between merchants, for converting the *currency* of one country into the *currency* of another, according to their relative values.

We have seen that a difference or deficiency in the copper coin of Ireland, of one thirteenth part of a half-penny, when compared with the half-pence of England, created a difference in the Exchange, between this country and Ireland, of £8 : 6 : 8, or eight and a third per cent. For the same reason, after the issues of guineas were restricted, and SILVER became the only money used at the Bank in payments, the dealers in Exchange and bullion in Ireland (no doubt) computed the relative values of guineas and silver ; and would not part with *guineas* without an allowance in proportion to the difference between the *mint* valuation of guineas, and the actual value of the SILVER currency\*.

“ Mr. Frank, an Exchange-merchant,” stated to the Exchange Committee (Min. page 81) that “ ever since he knew the silver circulating in

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\* Subsequent researches have proved to me that *external* Exchanges, or the relative values of English currency and that of *foreign* countries, are determined by the *market price* of BULLION—but that *internal* Exchanges, or the relative values of our currency and of commodities at home, are determined according to the power of the merchants, under a consideration of the *actual and nominal value* of the current money.

IRELAND, it was inferior to the silver in England in the proportion of five pounds per cent."

This consideration, therefore, must have created in his calculations a new rate for the PAR of exchange.

He must have considered in the first place, that, as every shilling passes in Ireland for THIRTEEN PENCE, of course, one penny upon a shilling makes a difference of £8 : 6 : 8 per cent.—and in the next place, that, as the current SILVER in IRELAND was five per cent. WORSE than the current SILVER in ENGLAND, an allowance in that additional proportion should be made for exchanging IRISH money into bills or drafts upon ENGLAND : therefore, the PAR between English and Irish money, must be £13 : 6 : 8 per cent.:—to which he would add one per cent. as a recompence for the accommodation afforded by every bill or draft which he drew upon England in exchange for Irish money.—His new rate in such cases would consequently be £14 : 6 : 8, or fourteen and a third per cent.

Having understood this material point, we

proceed to examine, briefly, the account; between England and Ireland, from January 1797.

It is evident by Mr. Puget's Tables that, in January 1797, the Exchange was *against* England: for the rate at Dublin in that month was several days at *six and three quarters per cent.*; or £1 : 11 : 8 under the then reputed par of eight and a third per cent.—The *usual commission* taken by Exchange-merchants either *for drawing*, or *for giving value* in lieu of bills upon England, is *one per cent.* But if the *demand for money* in exchange, or for drafts on England, happen to be *excessive*, or beyond the usual course, then those who give the value in currency, or afford accommodation by drawing bills upon England, *exact a greater premium* than usual: which premium progressively increases in proportion to the pressing necessities of those who want accommodation. Therefore the *Exchange rate* having been in January 1797, at *six and three quarters per cent.* is good evidence that the SELLERS of drafts upon England, or of English paper, were numerous, and *inquisitive for persons who would* BUY such paper: and that DESIRE TO SELL is sufficient

*proof that the balance of debt was then against ENGLAND on the DAILY settlements of the Exchange market.*

In February, the issues of cash were restricted. In March, Government paid Bank of England notes in DUBLIN; and the Exchange was, two days at four and a half per cent.—that is, £3 : 16 : 8 per cent. under the reputed par of eight and a third. From that time to the beginning of December following, the Exchange rate did not exceed seven per cent.: but at the end of the year it was\* eight and a quarter per cent. The Government sale of Bank of England notes in the Exchange-market had then been discontinued, and the Exchange-business apparently resumed its ordinary course.

In 1798, the Lords of the Treasury in Ireland drew upon England, and the Exchange on the average rate of that year was £8 : 8 : 3 per cent.

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\* It will appear in future papers that the alteration was occasioned by a change in the prices of silver bullion in the English market.

In the year 1799, the increasing demands of the importers of foreign CORN, as well as those of other merchants, having overpowered the weight of the loan raised in England for the Irish Treasury, or rather, having given the command of the Exchange-market to the Exchange-merchants, the market-rate rose gradually 'till it reached the PAR-RATE deduced from Mr. Frank's evidence above mentioned. But as the market-rate did not, at any time that year, rise above fourteen per cent.; I have no doubt that the balance due from England, was then fully equal to the demands arising from the scarcity of corn, for remittances to absentees, and for every other purpose.

During the year 1800, Bank of Ireland notes were exchanged at the Bank of England " at nine and a half per cent.; for such part of the instalments of the loan as became due to Ireland that year\*:" which measure, though partial in its operation, very materially kept down the Exchange; except when extraordinary occasional demands afforded opportunities for the dealers to

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\* See Minutes of the Exchange Committee, p. 5.

exercise their skill and power over the applicants for accommodation. But the average rate of that year was only ten and a quarter per cent.

In 1801, the Lords of the Irish Treasury again drew upon England: and their Lordships drafts of that year amounted to more than a million of the loan. But the instructions, under which the Government rate of Exchange was regulated, were, according to Mr. Crofton's evidence\*, precisely such as were desirable to the Bullion and Exchange merchants. For those merchants were placed, after a few days experience, in a most agreeable *state of certainty, as to their profits*; and were made the absolute governors of the market rates. The Exchange consequently rose in July to *fifteen* per cent. which may possibly be considered a natural indication that the *daily balances* of the Exchange-market were then *against* IRELAND, through the excessive importations of corn, added to the demands for remittances to

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\* Minutes of Exchange Committee, page 69 and 70, Mr. Crofton states, that "it was found, by the mode adopted, that  
 " the *speculators* in Exchange had great advantages, by taking the power of drawing out of the Lords of the Treasury,  
 " in a short period; and thereby having the markets under  
 " their controul.

absentees. However, as the Exchange did not remain at that rate many days, but was before the end of July at *thirteen* per cent., I am persuaded that, if the balance of all accounts was really unfavorable, it was so only long enough to beget an examination of the state of the coin, by the Bullion and Exchange merchants: who must have expected that *corn merchants* and others resorting to foreign ports for importation-cargoes would, if possible, carry with them part of the circulating coin; or at least melt it into bullion, and export it in that shape, while the Exchange abroad was so much against them. Other merchants also wanted specie to remit in payment of their debts to England, during the temporary (real or artificial) scarcity of English paper: and some of the latter merchants procrastinated the settlement of their debts, because of that scarcity; as well as on account of the high rate of Exchange, and the premium upon guineas: inso-much that the manufacturers of Gloucestershire, who dealt largely with Ireland, actually sent a memorial to Mr. Addington praying for speedy and effectual relief\*.

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\* See No. 10, in the Appendix to the Exchange Committee Minutes of Evidence.

The average rate of Exchange for the whole year 1802 was only £11:3:4 per cent.: I therefore believe that Mr. Marshall's account of the general balances between Great Britain and Ireland\* is very near the truth.

By that account it appears that the balance of 1803, including the loan, was upwards of £2,300,000 *against* ENGLAND: yet the Exchange rose in September to the unprecedented rate of *nineteen* per cent.!! and the fluctuations afterwards were very great and profitable to the dealers in Exchange.

In page 76 of the Exchange Committee Minutes, Mr. Crofton states "that *the Lords of the Treasury did not feel themselves justified in continuing to issue bills at a reduced rate when the market had a considerable rise.*"—Consequently the market was left to the Exchange-merchants, and to the influence of those causes, which always affect the rate of Exchange; unless there happen to be at the same time some extraordinary counteraction. The balance in the power

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\* See No. 11, in the Appendix to the Exchange Committee Minutes of Evidence.

of the Lords of the Treasury would have been an abundant counteraction, if it had been properly brought to bear upon the market. But, as that was not done, we will proceed, Sir, to investigate the occasion of a rise in the Exchange so greatly injurious to the GENERAL *interests* of the Irish people.

Mr. Frank tells us (Min. p. 81) not only that “the silver circulating in Ireland was at the time of the restriction, £5 per cent. inferior in value to the silver in England,” but also that “*since that period it had been getting gradually and uniformly worse.*”

When the state of the general balance of accounts was said to be against Ireland, and the Exchange was so alarmingly high, the only remedy in the power of those who had payments to make in this country, was a remittance of gold and silver coin. Some persons bought guineas at a very high premium; while others probably availed themselves of their contiguity to the Bank of Ireland, and used every means in their power to draw money from the Bank, even though it were SILVER *only*, and that in very

small sums. It is also probable that the shopkeepers and chandlers gave the silver in their possession for notes upon receiving a premium thereon : and that EXPERIENCE *of the profit* on those transactions gave rise to the “specie shops” which are mentioned by Mr. Marshall in his evidence before the Exchange Committee\*.

That gentleman particularly states, that a “DEPRECIATION *of the PAPER currency* commenced in Dublin immediately after the suspension:—it did not manifest itself on ‘Change, nor were any specie shops opened;—it was perceivable only on the quays, where the *colliers* purchased guineas at from six-pence to nine-pence each, in order to pay for their cargoes at Whitehaven. Some merchants also purchased large parcels of guineas to send to the north of Ireland†.”

Now, Sir, though silver is not mentioned by Mr. Marshall, it cannot be imagined that those who stood in need of cash (whether colliers for Whitehaven, or merchants for the north of Ireland) did not also secure as much of the *good silver*

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\* Min. p. 116.

† Min. p. 123.

currency as they could any where obtain. The COLLIERS *were a continual drain* \*: and the great saving, by avoiding the Exchange in drafts, was to *every trader* a constant inducement to *export silver*, as well as gold, for the discharge of debts; while good *silver*, that would pass *by tale* could be secreted for remittances. The result proves the accuracy of the supposition: for so great was the scarcity of silver that there was nothing but “silver notes,” and counterfeit coin in circulation.

Mr. D’OLIER, a BULLION *merchant*, (and one of the Directors of the Bank of Ireland) says †, that “he has found *by weight* that such of the Mint silver, as he could meet with, requires 94s.

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\* I had ’till now overlooked the evidence on this point from Mr. Colville, a Director of the Bank of Ireland, who says (p. 94, Min. of Exchange Committee) “that there are “not more than two parts in one hundred of Mint silver in “circulation. The *very high Exchange* having caused it to “be carefully picked up for the purposes of being carried to “Great Britain.” He adds, “The captains of the colliers “who bring coals to Dublin form one channel by which it “goes; but of the extent of it (he says) I am not able to “inform the Committee.”

† Minutes of Exchange Committee, p. 82.

6d. to make a *pound Troy*\*; which was issued from the Mint at 62s.—that the other coin in circulation is *BASE*:—and that the *best † of that base coin is not worth half its nominal value.*”—However, Sir, the *GENERAL* estimation ‡ of the circulating coin may not have been quite so low as Mr. D'Olier here mentions. He himself (speaking as a Bank Director) states (in p. 140 of the Minutes) that “the Bank of Ireland had then lately engaged in the purchase of base silver, in Dublin, at about thirteen-pence per ounce *beyond the Mint-price*; and (*as he believed*) about ten-pence *above the market price.*”—This statement is obscure, and seems contradictory. For it cannot be supposed that the Bank of Ireland paid for base silver thirteen-pence per ounce more than the Mint price of silver; which Mr. D'Olier's expression seems to indicate. I rather

\* If 62s. equal  $94\frac{1}{2}$ s. then £100 equal £152 $\frac{1}{3}$ ; consequently the *nominal* value was  $52\frac{1}{3}$  per cent. above the *real* value.

† It was probably nearly proportioned to the Mint silver as above.

‡ I have since found reason to think that commodities were generally valued according to the real worth of the circulating medium:—as will be demonstrated in future papers.

presume that as the base coin was bought by *weight*, its value was computed, in the first instance, by the market price of silver, and then *twenty* per cent. was taken off as an allowance for its *base* quality.—This will agree exactly with the presumptive meaning of the statement. For, I think, the market price in London was at the time of Mr. D'Olier's examination five shillings and five pence an ounce. Twenty per cent. or one fifth taken from 5s. 5d. will leave 4s. 4d. which is "*ten-pence less than the Mint price*, and thirteen pence per ounce less than the market price of silver."—As Mr. D'Olier was giving evidence before a Committee sitting in London, he, no doubt, referred to the London prices; and that idea is confirmed by the fact of there being no Mint in Dublin.

These quotations from the evidence of Mr. FRANK the *Exchange merchant*, and from Mr. D'OLIER, the *Bullion merchant*, illustrate the manner in which the DEALERS in EXCHANGE and BULLION compute the value of current money—that is, always with reference to the *intrinsic*, instead of the *nominal* value of the COIN:—to its *weight* and *purity* instead of its *current*

*value by tale* :—and it will not be improper, nor impertinent, to make another quotation as to the practices of *other merchants*, when exchanging the circulating money for articles of necessity.

Mr. COLVILLE, a *corn merchant*, (and *one of the DIRECTORS of the Bank of Ireland*) in his examination before the Exchange Committee gave the following testimony.—“ The silver circulating in DUBLIN is as bad as bad can be; it is a base coinage, the SHILLINGS of which, upon an average, may be worth about *six-pence*, and the SIX-PENCES worth about *three-pence*.” Again he said, “ *the remedy*, I have suggested, is to take those base shillings at *six-pence*, and the six-pences at *three-pence*; but the objection to that scheme is, that common consent must be obtained in order to carry it into execution. But so firmly convinced am I of the propriety of that measure, that my present determination is, on my return to Dublin, to give directions to the mercantile house, in which I am concerned, to take no silver of that kind but upon the principle I have stated. He said further: “ This particular question of silver bears personally upon me from the nature of the trade in which I am engaged,

that of a *Corn-merchant*. My dealings are with the brewers and bakers of Dublin; whose receipt for all they sell is more in silver and copper than in any other coin: and so great was the inconvenience that I, and other persons in the same branch of trade, suffered, that we were apprehensive we must stop selling of corn for the bread of Dublin: the brewers and bakers, from the unfortunate situation of the silver and copper, being unable to pay us\*''

This declaration of the great inconvenience which Mr. Colville, and others of his trade, suffered, warrants the conclusion that they took measures accordingly. And the remedy suggested by Mr. Colville (which he claims as his own) seems to tell very plainly *what* measures the corn-merchants adopted. When they had ascertained the intrinsic value of the silver currency, they, of course, acted according to the RULE on those occasions, and raised the price of their corn in proportion to that value. They could not legally refuse to take the circulating money at less than its nominal worth: and the supply of corn was in-

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\* Minutes of Exchange Committee, p. 93, 94, 95, &c.

dispensable in Dublin.—If, therefore, the nominal price of corn was so raised, as that *one shilling was charged* for the quantity of corn or bread that might have been sold for six-pence in good money, the effect to the merchants was precisely the same, as if they had taken a base shilling for six-pence, and a six-pence for three-pence. But the unfortunate poor must have been starving under the pressure of the consequent enormous prices of provisions.—Almost every other commodity seems to have been raised in similar proportions: and that the Exchange did not rise in the same degree is attributable to the intervention of the Government by borrowing money in England for the service of Ireland;—If that powerful supply had not been afforded to the Exchange-market, it is probable that the dealers in Exchange and Bullion, instead of selling guineas at a premium of ten per cent., would have raised them to nearer fifty per cent. For the difference is none whether half the silver be clipped away, (as was the case in the reign of King William) or whether it be perfect in shape, and half of it mere alloy.

As Mr. Marshall and the Exchange Committee have quoted Dr. Adam Smith, I have examined the passage in that able and intelligent writer. The ideas connected in his Work with their quotation are so strikingly in point, that I cannot forbear transcribing them in this place. He says\*, “ In the way the PAR of Exchange has hitherto been computed the ordinary course of Exchange can afford no sufficient indication that the ordinary state of debt and credit is in favor of that country which seems to have, or which is supposed to have, the ordinary course of Exchange in its favor: or in other words *the REAL Exchange may be*, and often is, in fact, *so very different from the COMPUTED one*, that from the course of the latter, no certain conclusion can, upon many occasions, be drawn concerning the former.”

“ When for a sum of money paid in England, containing, according to the standard of the English mint, *a certain number of OUNCES of PURE SILVER* you receive a bill to be paid in France, containing according to the standard of

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\* Wealth of Nations, Vol. II, p. 214, &c.

the French mint, *an EQUAL number of OUNCES of PURE SILVER*, Exchange is said to be *at PAR* between England and France.—When you pay *more* you are supposed to *give a premium*; and Exchange is said to be *against England*, and in favor of *France*: when you pay *less* you are supposed to *get a premium*, and Exchange is said to be *against France* and in favor of *England*.”

“ But we cannot always judge of the value of the *CURRENT MONEY* of different countries by the standard of their respective mints: in some it is more, in others it is less worn, clipt, and otherwise degenerated from the standard. But the value of the current coin of every country, compared with that of any other country, is in proportion—NOT to the quantity of pure silver which it OUGHT to contain but—TO THAT WHICH IT ACTUALLY DOES CONTAIN. Before the reformation of the silver coin in King William’s time, Exchange between England and Holland, computed in the usual manner, according to the standard of the respective Mints, was *twenty-five per cent. against England*—but the value of the *CURRENT COIN OF ENGLAND*, as we learn from Mr. Lownds, was,

*at that time rather MORE than twenty-five per cent. BELOW its standard value. The REAL EXCHANGE, therefore may, even at that time, have been IN FAVOR OF ENGLAND, notwithstanding the COMPUTED Exchange was so much AGAINST it."*

Upon these premises I am firmly of opinion that the MAGNITUDE of the IRISH LOAN for the present year would have reduced the Exchange as low as *two or three per cent.* under the reputed par of eight and a third, if the DOLLARS\* issued by the Banks had been made current at or near their REAL value. But their high NOMINAL value opposed an almost insurmountable barrier in the Exchange market. The RATE could not naturally come down with such an injurious impediment in the way.—Government, however, with the power of such a loan, might probably have made and kept the Exchange at almost any reduced rate: but IRELAND generally could not have been benefited by the measure: yet the debtors to England would have easily balanced

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\* I have since discovered another impediment, which will be exposed, in its proper place in future papers, when the GOVERNORS OF EXCHANGE come under consideration.

their accounts, and a few individuals would have been rapidly growing richer.

Every skilful dealer in Exchange is well aware, that the DOLLARS issued by the authority of Parliament (although under the name of TOKENS) are, for the time being, the *Bank of Ireland-MONEY*; in use both for payment of small balances, and for discharging the Bank small notes:—that those dollars or tokens are, while in use, by adoption, the circulating money of Ireland:—that, they are, in the *internal*, or *home-trade*, of no more use or value than would have been Bank of Ireland notes for the same sum:—that, in the present state of the Bank-restriction, and of the consequent power of Exchange-merchants, if Government discontinue the practice of raising loans in England for the service of Ireland, specie must be wanted for the settlement of balances in foreign markets, as well as in Great Britain:—that GUINEAS will not then be obtainable in Exchange, but *according to the proportion of PURE BULLION in the DOLLARS compared with GUINEAS*: and that therefore the PAR OF EXCHANGE between guineas and dollars or tokens *will be, and ACTUALLY IS, the difference*

*between the REAL value of the dollars, and the REAL value of the GUINEAS, independent of their NOMINAL worth—although that difference must be expressed in the nominal value of the currency.*

The same skilful Bullion and Exchange-merchants also know that the PAR OF EXCHANGE *between GUINEAS and IRISH DOLLARS is now\** about THIRTY-THREE AND A HALF *per cent.*, and that the PAR of Exchange between NOTES of the Bank of IRELAND, and NOTES of the Bank of ENGLAND is now about twenty-two *per cent.*

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\* These calculations of par rates were made in December 1804 ; but they are materially altered by the silver coinage of 1805.—I have been given to understand that *seven* TEN-PENNY TOKENS, which are now circulating in Ireland, weigh eighteen penny-weights twenty-one grains troy—and that they were coined from Spanish dollars, which are generally valued at two-pence half-penny per ounce less than the standard silver of the English Mint.—Consequently the difference between those small tokens and legal silver coin of the Mint is about £27 : 15 : 6 *per cent.*—The dollar tokens of the Bank of England, exceed the Mint value about £15 : 7 : 6 *per cent.* Therefore the par of Exchange between notes of the Bank of England and notes of the Bank of Ireland is now about twelve and a half *per cent.*—and the market rate will sometimes vary *one per cent.* over or under twelve and a half, according to the power of the Exchange dealers at different periods.—It is easy to verify this statement by referring at once to the market rates since the small Irish tokens were sent into circulation.

It is a *fact* not generally known or suspected that *Bank of ENGLAND notes* are not now quite so valuable every where in Ireland as they were supposed to be, when it was stated, that “*the premium upon a Bank of England note was the same as upon a guinea.*” A BULLION-MERCHANT would now make a very material difference in the price of bullion if he were to pay guineas, rather than Bank of England notes in exchange for it.—In that case it would be seen that the issue of DOLLARS or tokens from the Bank of England at a NOMINAL value, which is considerably *above* both the *market* and *Mint* prices of silver, was a measure that ought not to have been adopted by the Bank, or sanctioned by the Legislature:—a measure pregnant with the greatest injuries to our Exchange with foreign countries, and to the prices of every commodity in our markets at home:—a measure particularly injurious to the public revenue, to the industrious poor, and to the people generally, and which therefore ought to be immediately abandoned.

Should any recurrence of scarcity in corn, or any operation of Government, again turn the balance of foreign trade and account against England, while the issues of gold from the Bank

are restricted, guineas in *England* might bear a premium\* of ten, fifteen, or even twenty per cent.:—and causes similar to those *which have already drained the BRITISH EMPIRE of the greater part of its SILVER COIN*, would then take away the dollars, or tokens of the Bank of England, *in despite of their increased NOMINAL value*. When bills are dear, bullion will be secured in any quarter, whence it can be had:—especially by those who go to foreign markets for corn:—whose prospects of gain depend upon an expeditious lading, and a quick return to the English market.

If *Bank NOTES* or *Bank DOLLARS* be taken to the Bullion or Exchange merchant to be *converted into FOREIGN money*: the conversion will be made NOT by the NOMINAL, but by the REAL value of the dollars, and the Bullion or Exchange merchant will moreover have a profit upon the

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\* In April 1801, dollars were in the market five shillings and eleven pence per ounce; and the quality of those dollars is, I believe generally, computed two-pence half-penny per ounce inferior in value to the standard silver of the English Mint: consequently, according to the price of dollars at the Mint, the market-rate of April 1801, was nearly twenty per cent. above the standard value.

transaction. Or if the merchants importers of foreign grain secrete and export such money as is current in this country, and convert it abroad into the currency of the foreign markets, those merchants *will by the foreign exchange ascertain the real value of the Bank tokens* (or other money) and will on their return to England set a price upon their CORN, according to their power, under a consideration of that *real* value. If the loss upon the NOMINAL value of the exported money, or in procuring bills drawn upon foreign places, be ten, fifteen, or twenty per cent.—they will not only repay themselves that loss, but will also add as much more as they can to their selling prices, as a mode of anticipating and providing against all future contingencies.—Thus the prices of the *home market* will be considerably advanced at the Corn-Exchange in London; and those prices, spreading over the kingdom by the help of the news papers, will proportionally raise (as they have heretofore done) all the interior *markets*: where the dealers in grain are but too apt to profit by the London prices, without any regard to the difference of place and circumstances.

By LLOYD'S and the SHIPPING *lists*, I think it appears that the *importation of foreign corn raised*

*the London market in a few weeks, in October and November last, (1804) about fifty per cent. The prices of English wheat were on the 13th of November from twenty to thirty pounds per cent. below the prices of foreign wheat! but the former have since risen gradually to the level of the latter. Attempts were made to raise the country markets \*, (and they were actually in some places raised) in the same manner ; but these have since fallen back : and I understand the difference between them and London is now (December 1804) from fifteen to twenty per cent. The prices in Mark-lane have been lately more than cent. per cent. dearer than they were in May last.*

But it is not the *home markets* alone that are raised by the use of *nominal or degraded money*: *the home prices* precede the merchants to the *foreign markets* ; and the prices of those markets

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\* The farmers are not masters of the systematic proceedings of the merchants in regulating prices ; but *they have learnt to act in concert in many country markets* ; where instructions have been given to them by artful monopolists. Add to this, that their power is prodigiously increased by their accession of wealth, and by the demand for the necessary supplies of the army and navy.

are consequently raised ;—to the great aggravation of our distresses at such unhappy periods. These, Sir, are some of the evils of a *nominal* or *defective* coin; which are more glaringly manifest both in the internal and external trade of Ireland.

“ By an act of the 7th year of King Edward IV. *an ounce of silver was coined into money for Ireland, at the rate of six shillings and eight-pence for every ounce: the inconveniences whereof*” (says Sir James Ware, in his *Antiquities of Ireland*) “ *soon shewed themselves in the excessive dearness of provisions; which caused numbers to forsake the kingdom: and many who stayed were reduced to great want. To remedy which (by a statute of the tenth year of the same king) all the coins were reduced to half the value they were stamped at.*” Such were the consequences of raising the silver to *six shillings and eight-pence* per ounce: but the DOLLARS in Ireland are now *current* at the rate of *seven shillings and two-pence* per ounce!! No wonder then, that all the necessaries and luxuries of life are so exorbitantly dear in that part of the united kingdom.

Mr. D'Olier, Mr. Colville and Mr. Frank, declared to the Exchange Committee that, in their

opinions, it was expedient and necessary to make the Irish dollars or silver tokens of a NOMINAL value, that should MEET the rate of Irish Exchange: that is, that the dollars of IRELAND should be seven-teen or twenty per cent. higher than the nominal value of the dollars in ENGLAND:—TO PREVENT, as they said, the MELTING of them by the COINERS. The Irish dollars were contracted for by Mr. D'OLIER, (one of the Irish Bank Directors) and ordered to be stamped for SIX shillings Irish:—which is, in fact, about twenty-three per cent. above the NOMINAL value of ENGLISH dollars; and nearly thirty-eight and a half per cent. above the value of silver at the English Mint. Consequently there are now TWO *par rates* between Ireland and England. ONE between the DOLLARS of ENGLAND and the DOLLARS of IRELAND, (or the notes of the Bank of Ireland, and the Notes of the Bank of England); and another between the IRISH dollars and ENGLISH guineas:—for the PAR RATES of Exchange are the exact differences of the several species of Irish circulating medium, when compared with those which circulate in England.—During the restriction, the Exchange upon guineas is in a great degree suspended, and known only under the appellation of PREMIUM.

The *Mint value* of the DOLLAR TOKENS in England and in Ireland is precisely the same; but *the NOMINAL value of the IRISH TOKEN is twelve-pence upon each dollar more than the NOMINAL value of the ENGLISH TOKEN*: and the English tokens are valued *nominally* eight-pence on each dollar more than the value of dollars at the English Mint: and the Mint-value of a dollar, according to the evidence of Mr. D'Olier, the Bullion-merchant, is four shillings and four pence.—Now, as four shillings and four pence, or *fifty-two* pence of the Mint, are made equal to *sixty* pence in the *Bank of ENGLAND* tokens, of course, £100 in the former are equal to £115 : 7 : 6 of the latter—and as *fifty-two* pence of the British Mint are made equal to *seventy-two* pence in the *Bank of IRELAND* tokens, £100 legal British are equal to £138 : 9 : 2 of Irish Bank money.—The difference or *par-rate* of Bank of England tokens and Bank of Ireland tokens, or of the notes of those two Banks is, therefore, £23 : 1 : 8 per cent.: and the *PAR of Exchange* between the standard silver of the Mint, and the nominal value of the Irish tokens, is £38 : 9 : 2 per cent.

Vain, therefore, were the expectations of those who were assured that A LOAN, sufficient to dis-

charge the balance of trade and account between Ireland and England, would bring down the Exchange to the long-established par rate. Such an effect was *impossible* under the circumstances; if the market were left to its natural course:—and I conceive, that nothing less than an absolute order of Government for the Lords of the Treasury to supply bills at a reduced rate, could bear down the *market rate* lower than the natural effect of the balance with England.

An absolute order has, I presume, been given: which will be effectual while their Lordships continue to draw at the same rate: but, I suspect that, the instant their power is exhausted, the Exchange will rise as near to twenty-three per cent. (either over or under) as the actual state of the demands and supplies of the market\* will allow. The arguments for a further loan will probably be then repeated; yet I should hope, not with the success of the last negociation.

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\* A deeper investigation of this subject proves that the value of English Bank notes is sometimes computed by the market price of bullion: there is consequently another reason for the variation of the market-rate of Exchange, which will be fully given in the concluding papers of these expositions.

Previous to the Bank restriction, the issue of COPPER COIN, of the same value as in England, might have destroyed the distinction between the money of Great Britain and Ireland\*.—But that measure alone (as hinted in some of the daily papers) would, I think, now produce only the effect of discontent and resistance. For while the dollars in circulation remain NOMINALLY above their REAL value, the new copper would have the appearance of taking away, in Ireland, a penny from every English shilling without giving the smallest beneficial return. And if, in addition to such coinage of copper, *the tokens of Ireland were reduced only to the nominal value of English tokens, the Exchange upon bills or drafts payable in England ought to cease* (excepting the usual rate of commission); but a premium upon guineas would still remain, and be exacted as often as coin become necessary, either to settle a foreign balance, or to counteract an unfavorable

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\* The equalization of the money of Great Britain and Ireland would be productive of the most beneficial effects to the revenue of the united kingdom; and I cannot find a valid objection to that measure—Every argument that I have heard against it, may in my humble opinion be very successfully used in its support.

course of Exchange. In the event of such an equalization of the Bank tokens, the difference between them and guineas would be then the same both in England and in Ireland. The prices of commodities would, however, be kept up as much as possible, till the removal of the restrictions would enable all persons to complete their remittances, without the necessity for an application to brokers and dealers in Exchange.

There is a grand distinction between England and Ireland in the settlement of their respective foreign debts. England generally settles her commercial debts at home, whereas Ireland is, in most instances, compelled to settle through London. All the balances against Ireland may, therefore, be said to centre in England: where, of course, provision must be duly made in proportion to the Payments. The *restriction* of the cash issues is said to be *an impediment to that provision*: and, therefore, it is also said, aids from Government by loans are become indispensable.

It is true that, *before* the restriction, *guineas were drawn from the Bank of IRELAND, and sent to ENGLAND*, when a sufficient number of bills

could not be procured. But it is also true, that *the IRISH BANK replenished its stores by RE-DRAWING guineas from the Bank of England*, as often as occasions required!—It is also true, that a *considerable expence was incurred* both by those who remitted guineas to, and by those who received them FROM England : which *expence might have been saved to both parties, if the Bank of Ireland would have given drafts upon England*, when cash was wanted for remittances. The *uncertainty of the calls for guineas, exacted from the Irish Bank DIRECTORS such prudential arrangements, as would enable them to DEMAND GUINEAS from the Bank of England*, whenever the state of the Irish Bank required them:—And those prudent arrangements, and the occasional importations of gold, unavoidably curtailed the sources of profit. The restriction, therefore, was in fact, a *Boon* and protection to that Bank; and, if laudably managed, might have greatly increased the honor, as well as the profits of the Bank of Ireland. The Directors of the Bank of Ireland, instead of avowing themselves, in effect, immediately dependent on the Government for money in England, and suffering their paper to be disgraced by a comparative depreciation, ought to have known that

the reputation of their notes, the regularity of their payments, and the pecuniary intercourse between the two kingdoms, might have been maintained and protected by establishing a power to draw at all times upon England, in exchange for their own notes: and that no other means than those which, *before* the restriction, enabled them to pay their notes with guineas *drawn from England*, were necessary, *after* the restriction, to enable them to pay by drafts, whenever the holders of notes might find it expedient to demand the payment of them in drafts, at the usual date, upon London.

THE RESTRICTION ACT might easily have been *modified* to relieve a certain portion of that *dead capital*, which had been previously locked up, as a provision against contingencies: and *that relief* would have enabled the Directors to extend their business by honourably increasing the *legitimate sources* of profit. *A moderate commission* (either in time or in money) *upon transactions with England*, would have taken the greatest part of the *Exchange-business* of DUBLIN into the BANK of Ireland: and the convenience and certainty which would thence have resulted, to all

who had connexions in this country, would have added to the growing prosperity of IRELAND, in the same manner as the bankers of Scotland (greatly to their honor) have added to the happiness and opulence of that part of Great Britain.

But how different the picture exhibited by the Irish Bank Directors ! They appear to have created the distresses of their country, through *disregarding the PUBLIC interest, and having too great attention to their own PRIVATE emoluments* : and they are now in this DILEMMA : *either they are in a state to resume their payments in specie, and, if so, to pay their notes by drafts payable in London :—or they have been guilty of palpable mismanagement in extending their issues of paper beyond the power and controul of their capital and private funds.* Either way their conduct merits parliamentary examination : and the pecuniary distresses of their country demand the wisdom and vigor of legislative interference.

At present, Sir, it is well known that if the loans from England to Ireland cease ; then Ireland *cannot be at a CERTAINTY* of settling her balance on the London Exchange without the

aid of specie or bullion:—because, during the restriction upon gold, the BANK<sup>n</sup> of IRELAND cannot be COMPELLED to furnish DRAFTS upon ENGLAND in exchange for their own notes.—Those merchants who originally recommended the use of dollars, as BANK TOKENS, must, no doubt, have been perfectly aware that, as *those tokens are intrinsically valuable only according to the weight and purity of the BULLION they contain*, therefore, those who have occasion to make remittances have *no remedy* against the exactions of the dealers in Bullion and dealers in Exchange; save only by casually purchasing bills, which other merchants sometimes offer for sale in the Exchange-market—or *guineas*, from persons who do not understand the causes of the fluctuating premium upon them.—But while the loans continue to be raised in England for the exigencies of the Irish Government, the dealers in Exchange have a *double game* to play: one in their capacity of *wholesale dealers* with the Treasury in Ireland, and the other as *retailers* of drafts to those who may be reduced to the necessity of purchasing bills, at any rate, for remittances to England.—Every possible advantage appears to have been taken: and the only ques-

tion with the dealers seems to have been, “ how may we lay both the Government and the people *under contribution*, without hazarding a discovery of the important secret in the business of Exchange ?

Perhaps, Sir, I have written enough to satisfy your enlightened and capacious mind that the true cause of the high rate of Exchange between England and Ireland has been most artfully and industriously concealed :—that the *private* interests of those, who derive a profit from the transmission of money (or loans) from one part of the united kingdom to the other, were at variance with the *general* interests of their country ; and that the former interests have too long and most injuriously predominated :—that, when the last loan was recommended as a *certain means* of reducing the Exchange to the ancient par-rate, an effectual counteraction was also recommended in the issue of dollars at a high NOMINAL value ; which rendered the fall of Exchange an utter impossibility ; without some profitable combination of the dealers in Exchange, or the intervention of some unnatural force :—*that the EXCHANGE MAY BE INSTANTLY REDUCED, OR TOTALLY*

REMOVED by *reducing the NOMINAL value of the DOLLARS to their REAL value, and compelling the BANK of Ireland to give drafts on ENGLAND in exchange for its own notes*:—that the restriction upon that Bank ought NOT to have been an impediment to the payment of Irish Bank notes by drafts upon London:—that the Bank Directors ought to have provided for that measure, without any assistance from Government; and might have done so, more easily than the Banks of Scotland did it, *unaided by such protection as the RESTRICTION afforded*; and, indeed, as *all the private Banks of Great-Britain have uniformly done*:—that the Bank of Ireland Directors cannot have any just apprehensions from the *pretended balance against IRELAND*, when the *actual par-rate of Exchange exhibits the balance constantly and invariably against ENGLAND*: (with the exception, perhaps, of the years 1800 and 1801) —that if any difficulty be *really felt* in the Bank of Ireland, such DIFFICULTY *may be removed by granting to the Bank-Directors the power of removing guineas or bullion to ENGLAND; or of depositing them in the Irish Treasury for the use of Government; who can furnish a CREDIT upon ENGLAND, to be drawn for at discretion*:—that,

however, nothing but an *error* in management, could have occasioned such necessity ; as the reputation of the Irish Bank notes was (according to Mr. Marshall's evidence) unattacked even in the midst of absolute rebellion :—that foreign CORN *has been*, and will be, always *affected in its PRICE by the difference of EXCHANGE, arising from a deficiency of the precious metal in the circulating coin* ; whether that deficiency proceed from wearing, clipping, or the fixing of a NOMINAL value far above the REAL one :—that the high prices of the London markets spread over the kingdom and beget corresponding high prices ; which extend prejudicially to all the king's subjects ; and especially affect the industrious poor :—that the high prices of *provisions* create more discontent and disloyalty than all the TAXES which WAR can accumulate :—that therefore the safest policy, independent of the wisdom of the measure itself, most strongly recommends the removal of that evil in the current coin, which has been productive of such alarming effects ; and is the most powerful impediment to that cordial union of Great Britain and Ireland, which is essential to the well-being of the British Empire ;—to the accomplishment of your own grand and glo-

rious designs ; and to the permanent establishment of that commercial and beneficial intercourse which alone can identify the united kingdom, as a consolidated, prosperous, and happy people.

Having denied (in the beginning of this Letter) the doctrine of *Depreciation*, which is the foundation of the Committee's Report, I have purposely avoided all mention of the circulating paper, as some evidence that *paper*, in a primary consideration, has nothing to do with the subject of Exchange. That which is called a depreciation of the Bank of Ireland paper is an EFFECT proceeding from the same CAUSE as the high rate of Exchange :—It is deducible from the same source, referrible to the same origin—and *removable by the same cure*. Let the dollars be reduced to their *Mint value*, and the other silver coin be restored to its proper weight and standard ;—let the Bank of Ireland be compelled to give drafts upon England at par\* ; when demanded in exchange

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\* The late Mr. Puget asserted before the Exchange Committee (Min. p. 4.) that “ if the balance continue against Ireland, compelling the Bank of Ireland to pay in English Bank notes would ultimately ruin the Bank by making it “ pay the whole loss of the exchange of the country !” I am sorry the death of that gentleman has put it out of my power

for its own notes;—and the clamor about the depreciation of paper will be no more heard. Then those who are “firmly and decidedly of opinion, that the Bank of Ireland paper, and the paper in general of Ireland is depreciated” will, in that respect, I think, be convinced of the erroneous foundation of their opinion:—they will see that Bank notes have been improperly considered as the “CURRENCY” of their country:—as if, in

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to give him a personal challenge to substantiate the truth of this position—But he had partners and friends, and I defy them to do it.—However, my proposition is to make the Bank pay in drafts upon London at par, and payable thirty days after date. The *compulsion* can operate only in the exchange of Bank of Ireland notes—in all other applications the Bank has a discretionary power. Let us see, therefore, what compulsory demands could be made upon it.—We understand from Mr. Colville’s evidence (Min. p. 96) that the Bank of Ireland has notes in circulation to the amount of THREE MILLIONS—of which £1,200,000 are in notes *under five pounds value*.—These, being substitutes for the guineas withdrawn from circulation, are consequently dispersed over Ireland, and cannot without much time and difficulty be collected in a body to oppress the Bank—there remains then only the sum of £1,800,000 in notes of the value of five pounds and upwards. Mr. Colville also stated that he “should imagine the private bankers’ notes in circulation are *equal in amount* to those of the Bank of Ireland.” Cash having been so long at a premium in Ireland, it will not be suspected that the private bankers have kept guineas in store: they must consequently keep a certain portion of Bank of Ireland notes

fact, they were the *current* MONEY :—whereas, if we speak correctly, BANK NOTES ARE ONLY TRANSFERABLE TESTIMONIES OF A RIGHT OF PROPERTY IN THEIR HOLDERS, ACCORDING TO THE PROMISES CONTAINED IN THEM ;—and they are valuable in no other view :—consequently CANNOT *be depreciated* while the solvency of the Bank is unquestioned, and the notes are acknowledged good and legal vouchers of the

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to pay their own with when demanded.—Now, if we suppose that the private bankers of Ireland could be easy in their minds with *only one fifth of the amount in Bank notes, which they have promised to pay on demand*—that supposition will amount to £600,000—divided between *all* the private bankers of Ireland—*constantly at a great distance from the Bank—and not likely to be taken there, unless GUINEAS could be had.* This sum may therefore be deducted from the £1,800,000, and the remainder will be £1,200,000.—But this sum also is distributed among the gentlemen, merchants, and tradesmen of Ireland. If we admit that *two thirds* of it remain in and near Dublin, I think, that we shall concede more than the fact. Yet grant it £800,000, and then we have *another consideration*—If the *WHOLE* of this £800,000 *happen to be in the hands of persons who have payments to make in ENGLAND,* then the whole of the £800,000 *might* be demanded from the Bank, in drafts payable in London thirty days after date. But the improbability of the *WHOLE* being in the hands of debtors to England is sufficiently obvious.—Yet were it otherwise, would the Bank of Ireland be injured by such an application ?—Does the Bank issue notes without a deposit of securities ? If securities are taken are they never paid off ?

holder's right. But if the promises be performed at the Bank, in light, clipt, or degraded coin, or in coin only **NOMINALLY** agreeing with their sum ; then the notes must be considered (for the time being) as transferring a right only to such light, clipt, degraded, or *nominal* money: and such light, clipt, degraded, or *nominal* money, is taken as, and deemed, the measure of their value

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Cannot loans be reclaimed by the Bank? Have the **DIRECTORS** no property transmissible to England, either with or without the authority of the Legislature? and has the Executive Government no dispensing power to relieve the Bank ; if gold, which is useless in the Bank of Ireland, would afford a provision for an extraordinary demand of drafts, by a mere removal to the Bank of England? My Lord, there are so many ways to overcome the pretended difficulties in the Exchange between Great Britain and Ireland, that I am astonished at the veil of imposition so successfully thrown upon those great luminaries of wisdom and talents which adorn the two Houses of the Imperial Parliament. It was truly written by the great Mr. LOCKE, that “ **INTERESTED PEOPLE**, (who treat of “ this subject) *wrap up the SECRET they make advantage of,* “ *in a mystical, obscure, and unintelligible way of talking:* “ *which SOME VERY INGENUOUS PERSONS, from a PRE-* “ *CONCEIVED opinion of the difficulty of the subject, let pass* “ *for sense, in a matter not easily to be penetrated, but by men* “ *of practical knowledge.*” I shall endeavor, in future papers, “ to put the evidence of the Bank Directors into plain, true, “ honest and direct language,” when, I hope, it will “ prove “ very easy and intelligible.”

in all cases of exchange for gold coins, which are according to the standard of the realm. The guineas are, therefore, of *more worth*, in proportion to the *difference* between them and the silver currency : and *that difference ought to be* the premium in the market.—*The premium, however, according to Mr. Frank's evidence (Min. p. 28.) is now regulated by the rate of Exchange.*—But the rate of the Exchange, during the Bank restriction, is the mere evidence of that POWER which the dealers in Exchange possess in the market; and by no means a decisive proof of the state of the *balance* between the two countries.—It was the clipt, and worn coin in the reign of King William, (operating as the dollars or tokens now do, in Great Britain and Ireland,) which occasioned the high rate of Exchange between ENGLAND and HOLLAND:—and Doctor Smollett mentions that “*the NOTES of the BANK of ENGLAND were then at a discount of twenty per cent. !!*”—With similar propriety it might be said, that the Bank of England notes were at a discount of *nineteen per cent.* in April 1801 : for that is nearly the difference between the Mint price of silver and dollars at 5s. 11d. per ounce ; which was then the market price.

The difference between the rates of Belfast and Dublin, has been taken by the Committee as *a proof and measure of DEPRECIATION* : and as that difference involves, in their judgment, an otherwise inexplicable difficulty, I must take the liberty of trespassing a minute longer, while I endeavour to obviate that formidable mystery in the subject of Irish Exchange.

I have said that BANK NOTES *are NOT money* :—although some of the witnesses, and the Committee in their Report, have comprehended them under the general term “CURRENCY”. I should rather confine the idea of *currency* to the COIN of the country ; and define BANK NOTES A PAPER MEDIUM *testifying the amount of CURRENCY to which the holders of them are entitled from the Bank whence they were issued.*

A Bank of Ireland note is a promise to pay a sum of IRISH money : which, being merely NOMINAL, is expressed by its EQUIVALENT in ENGLISH MONEY in the *margin or corner of the note*. For example—a Bank of Ireland note for “£11 : 7 : 6 Irish money” has in the corner of it the words “Ten Guineas :” that number (at the par of eight and a third) being equal to the

sum of £11 : 7 : 6 Irish (which has the copper money aforementioned for its root, and for the nominal measure of the *Irish money of account*) *The promise is*—not of guineas, but—*of Irish money*: although the Irish people generally call them ten-guinea-notes; through their familiarity both with the name, and with the English money itself.

That which is called “a guinea note” is a note for £1 : 2 : 9 Irish; and, when presented at the Bank, is payable in the money which the Bank uses, be that what it may.—Now DOLLARS, at the nominal value of six shillings each, are the money in use: But when “a guinea note of the Bank of Ireland, and also two shillings were given in Exchange for a guinea in gold,” I presume, *the BANK was using in payment of such notes, either light and worn MINT SILVER COIN, or the base money then in circulation; and most probably the latter;—this coin was taken, generally, by the POSTMEN and in the public offices of Government, and paid into the Bank of Ireland on the Government accounts\**: and the former had for some

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\* See the Exchange Com. Min. of Mr. Crofton's evidence, p, 73—4.

time disappeared. THE MONEY WHICH THE BANK USED IN PAYMENTS *was, consequently, according to its intrinsic value at the MINT, the ACTUAL MEASURE of the value of BANK NOTES.* The solvency of the Bank was not questioned.—The notes were not depreciated.—For they produced at the Bank, and were each of them accepted as evidence of a right to £1 : 2 : 9 *Irish money*,—the amount of the promise.—But the *Irish money*, or money in use by adoption, was *less valuable* than formerly, in comparison with a guinea : and the DIFFERENCE *between the former and the then present value of the SILVER CURRENCY was, in fact, the PROPER PREMIUM upon guineas in Dublin.* Yet purchasers could not be found at that premium, while the rate of Exchange, upon drafts payable in England, *was kept down by the interposition of Government* in drawing from England the loans raised there for the service of Ireland.

A guinea in Ireland is a more compound idea than in England.—Before the restriction it meant, at the same moment, *twenty-one shillings ENGLISH, or, one pound two shillings and nine pence IRISH.* A guinea note means only £1 : 2 : 9

Irish. TWO SHILLINGS (although of worn or counterfeit money adopted in Ireland) *mean two shillings and two pence Irish*. A guinea note and two shillings, therefore, make £1 : 4 : 11 Irish ; which were given in Exchange for £1 : 2 : 9 of the PURE Irish money represented by its EQUIVALENT, an English guinea in gold : *The Exchange in DUBLIN, of PAPER into GUINEAS, was consequently a REAL Exchange; and the PREMIUM was the rate of that REAL Exchange—accidentally reduced by the intervention of Government in the manner above mentioned.*

Guineas so procured, and circulating at *Belfast* constituted, in effect, at the same instant, a *pure English*, and a *pure Irish* currency : every guinea being equal to £1 : 2 : 9 of the *imaginary or nominal* IRISH MONEY. Consequently the *Exchange between BELFAST and LONDON* was computed on the *merely NOMINAL* value of the guineas in *Irish money*; and was, therefore, in point of fact, a *merely NOMINAL EXCHANGE*. The transactions between the merchants of *Belfast* are merely commutations of *English GOLD* for *English PAPER*; that is, for bills payable in *London*. On those commutations an allowance for agency or

commission is generally made to the party who supplies the specie ; and that allowance is usually about *one* per cent. in English, or £1 : 1 : 8 in *nominal* Irish money. For example:—Every £100 in English gold is equal to £108 : 6 : 8 of pure *nominal* Irish money. The difference of £8 : 6 : 8 per cent. is called the par of Exchange. If from this par of £8 : 6 : 8 we deduct £1 : 1 : 8 (which is equal to the English commission of one per cent.) the remainder will be £7 : 5 : 0 or seven and a quarter. And it is well-known that seven and a quarter per cent. was (before the restriction) the most usual rate of Exchange both at Belfast and at Dublin.—The rate, however, varies according to circumstances. It becomes *lower* when pressing demands are made for cash in exchange for English bills : and on the contrary, it rises *higher* when bills are very much in demand for remittances. Cash and bills are, in these cases, like all other commodities, more or less productive in proportion to the equality of the demand and of the supply ; or, more correctly speaking, *according to the power of those who hold the commodities required*.—Any considerable variation in the market rate will induce the dealers in Exchange to speculate in bills ; either by purchas-

ing, or by drawing, as the temptation requires; and *the events of a few days will sometimes afford a profit of two or three per cent.*

The Exchanges of guineas for bills upon London are, in ordinary times, as regular transactions between Belfast and London, as similar transactions are between Edinburgh\*, Liverpool, Bristol, or any other place in Great Britain, and London. The bankers and merchants having an allowance or commission for their trouble, according to circumstances, for furnishing the means of conveying money from one place to another.

The Exchange at Dublin seems also to be a *REAL Exchange*; performed in *some* cases by *ONE operation*, and in others by *TWO operations*. When guineas are bought there at a premium, those guineas are taken as pure *IRISH* money at £1 : 2 : 9 each, and not, as some Englishmen imagine, at twenty-one shillings each. The premium, therefore, is the difference between the

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\* In mere justice to Mr. Mansfield, Mr. Conyngham and Mr. Irving, I must acknowledge that, although I do not entirely agree with those gentlemen, I concur with the greatest part of their evidence, recorded by the Exchange Committee.

pure nominal Irish money and that coin which is in circulation. It is the *first* operation to *equalize\** the light, degraded, counterfeit money and the *pure* NOMINAL money. The *second* operation equalizes the *pure* Irish, and *pure* English money, with an allowance for agency. The second operation is similar to the Exchange at BELFAST: where, (as already mentioned) the currency is *pure* English.

The business of *BILLS* upon the Exchange in DUBLIN joins the TWO operations above mentioned: and that junction constitutes the *Dublin*-

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\* The irregularity of the Exchange-market, in consequence of the interposition of Government, and of the loans raised in England, for the service of Ireland, puts it out of the power of the dealers in bullion to raise the PREMIUM upon GUINEAS, in Dublin, in proportion to the ACTUAL difference between them and the base circulating money:—Because the GUINEAS are generally wanted for the same purposes as *BILLS*—to make payments either in ENGLAND, or in some other place: Therefore, while the Exchange upon Bills is kept down by Government, none will buy guineas at a premium EXCEEDING the market rate of Exchange.—The Government rate of Exchange, on the Treasury drafts, determines (during the time of drawing by the Lords) the value of the currency in external Exchanges; but the internal Exchanges, or PRICES of commodities, are still determined by the REAL value of the circulating coin; as will be shewn in future papers.

*rate of Exchange.*—The *difference*, therefore, *between the rates of DUBLIN and BELFAST must be generally equal to the PREMIUM upon the guineas* (with a little variation in consideration of the trouble and *expence* of removing guineas from DUBLIN to BELFAST). That difference has been *noticed* by the Committee ; and adduced by them as a proof and measure of DEPRECIATION in the notes of the Bank of Ireland—Whereas, I presume that, the fallacy of that opinion must now fully appear.

With respect to the business of BELFAST, I think, it is obvious, that *both the RATE of EXCHANGE and the IRISH MONEY are there merely NOMINAL*. And I do therefore most humbly submit, that the distinctions of REAL and NOMINAL, which the honorable Committee have made in their Report, ought to be entirely reversed.

I bear witness that the paper credit both of England and Ireland stands in need of great regulations :—that *the general issue of small notes under the value of five pounds is a most pernicious grievance* ;—pregnant with the most injurious consequences ;—and that when small notes were real-

ly necessary they ought to have been confined to the national Banks of Great Britain and Ireland. But upon this point, as well as on the restriction of the cash issues;—on the great want of a new silver coinage (which is the principal source of the high prices of all commodities)—and on several other important considerations, which affect the Government, the revenue, and the people, I must of necessity reserve myself till future opportunities.

In this Letter I have probably deviated from the rules of elegant composition: but, I trust that, I have not offended against TRUTH and good understanding. My aim has been precision, as far as was consistent with the acknowledged “intricacy and difficulty” of my subject: and I shall have reason to be satisfied, if, Sir, my ideas meet your approbation:—and can in any degree contribute to the furtherance of your efforts for the safety, glory, and happiness of his Majesty’s dominions.

I have the honor to be, &c. &c.

WELLS, Somerset,  
Dec. 31, 1804.

The original Letter was delivered at Mr. PITT's house in Downing-street, on the *second* of January 1805, and on the *seventh* of the same month, a paragraph appeared in the COURIER in the following words.

*“ We are informed that a measure has just been adopted by the Minister, which will do away at once, the long-complained-of inconvenience resulting to Ireland, from the mode by which the course of Exchange between that country and England has hitherto been regulated. The BANK of Ireland, it is said, will in future be permitted to draw on the BANK of ENGLAND at PAR, to any amount.”*

This information was evidently inserted by authority ; and it probably attracted your Lordship's attention. Subsequent events indubitably prove that the Minister was earnestly engaged in the adopted measure ; (although only *a part* of my plan) and that its intended operation was prevented by very remarkable occurrences.

According to the Parliamentary Report in the MORNING CHRONICLE, dated Feb. 6, 1805, it appears that on the preceding day several motions

were made by Lord ARCHIBALD HAMILTON, in the House of Commons, relative to Irish affairs: and that those motions induced Mr. FOSTER to inform the House, that “*the BANK of ENGLAND had been applied to, to send over a considerable sum of money to IRELAND; and they were requested to transmit it to Ireland at PAR. The DIRECTORS, however, REFUSED, AS MANY OF THEM DEALT IN EXCHANGE, and such a transaction might be injurious to their character.*” The Treasury then sent the amount of the sum to which he referred, in BANK-POST-BILLS. The day of their being issued was previously announced, in order that every one who thought fit might have an opportunity of bidding for them.— They were, at first, set up at  $11\frac{1}{2}$ ; but the people would not purchase at that rate. The price of Bank bills was then lowered until it was brought down to PAR, and there (said he) the matter now stands.”

Lord Archibald Hamilton afterwards (on the 21st. of March) “thought it necessary to call the attention of the House to the state of the EXCHANGE of IRELAND. He could not avoid stating a circumstance, which shewed the *injudi-*

*cious* manner in which it was attempted to restore the former rate of Exchange. When the Exchange between England and Ireland was 13 per cent. the Commissioners of the Treasury in drawing for £200,000 of the loan from England, offered it for sale at 10 and 11, and afterwards at  $8\frac{1}{3}$ , which was the par. There was such a concourse of people in the Castle-yard of Dublin, to get English Bank post bills at par, that it was hard to prevent an absolute riot taking place. The whole difference between selling these Bank notes at par, and at 12 and 13, which was the current rate at that time, was £40,000 on each million, or £200,000 on the five millions that were to be transmitted from England in the course of the year. This whole sum was lost to the Irish nation by the manner that the Commissioners of the Treasury managed the transmission of the money, in the hope that they could regulate the rate of Exchange, and restore it to par. He concluded, by proposing a resolution."

MR. FOSTER said, "the Resolution was nothing less than a charge against the Commissioners of the Irish Treasury for waste of public money. He could explain the circumstance which was

laid such stress upon by the noble Lord. *The Commissioners of the Treasury had no intention of affecting the rate of Exchange!* and did not wish to have any thing to do with the transmission of the money. *They applied to the BANK of IRELAND for the purpose.* He himself wrote a letter to the Governor of the Bank; but *they REFUSED to interfere in the transmission of it.* Mr. Foster then read a copy of his letter, and of the *answer of the GOVERNOR and COMPANY of the BANK of IRELAND*; in which they REFUSED, FROM MOTIVES OF DELICACY, AND FEAR, LEST THE MERCHANTS SHOULD SUSPECT THEM OF INTERFERING ABOUT THE RATE OF EXCHANGE.—Under these circumstances what could the Commissioners of the Treasury do? They got the money over in post bills, which they advertised for sale; and not being able to get either 10 or 11, they consented to take the par of  $8\frac{1}{3}$ . The rate of Exchange was now (he said) by no means so unfavorable as formerly; and *the operation of the LOANS*, by sending a large sum into the country annually, *must turn the rate.* He must unequivocally admit, that the *restriction* of issuing specie from the Bank, and the *over-issue* of paper, and consequently its *depreciation*, were the principal

causes of the unfavorable state of the Exchange. But, as at present it was impossible to remove the principal cause, by allowing the Bank to pay in specie, he thought the discussion was unnecessary, and might be injurious."

" Lord HENRY PETTY agreed with the Right Honorable Gentleman (Mr. Foster) in almost all the general principles he had laid down;" and

" The Chancellor of the Exchequer (Mr. PITT) was ready to agree with the noble Lord, that the restriction on the Bank was the cause of the high rate of Exchange against Ireland. But how had it produced this effect? There was an OVER-ISSUE of PAPER; and, *consequently a DEPRECIATION of it.* In the Exchange, then, between England and Ireland, it must be considered that *it is an exchange of IRISH paper; that it is depreciated, and at a DISCOUNT against the PAPER of THIS COUNTRY; which is NOT depreciated.*"

" Mr. Fox expressed great pleasure, in finding that we had at length got rid of all those ridiculous propositions, advanced last sessions, *about the paper of Ireland NOT being depreciated.* Had

the guinea increased in value? and could there be a necessity for an unlimited issue of paper?"

" Lord Archibald Hamilton seeing the sense of the House against him, declined pressing to a division."

This extract is from " LLOYD'S EVENING POST," which is the only Paper now near me, wherein I could find so much of the debate of the 21st of March.

I should be guilty of impertinence in troubling your Lordship with these Reports of Parliamentary Proceedings, if I did not suppose them *admissible evidence*,

That the measure said to have been adopted by Mr. Pitt, could not be carried into effect, in the manner announced in the COURIER of the seventh of January, 1805, because *the DIRECTORS of the BANK of ENGLAND, and the DIRECTORS of the BANK of IRELAND, refused to assist in transmitting the money at PAR:—the former giving, as a reason for refusing, that*  
*" many of them DEALT IN EXCHANGE, and*

*such a transaction might be injurious to their character:—and the latter, that “they acted from motives of delicacy, and FEAR lest the MERCHANTS should SUSPECT them of interfering about the rate of Exchange:”*

That Lord Archibald Hamilton was of opinion, *the reduction of the Exchange, from 13 per cent. to PAR, would be a LOSS to the IRISH NATION of £40,000\* on every MILLION sent from this country to Ireland: whence, of course, his Lordship inferred, that the efforts of Government to reduce the Exchange to the ancient par-rate were both injudicious and injurious.*

That Mr. PITT and Mr. FOSTER unequivocally declared that the *restriction* of the cash issues from the Banks, and the *over-issue of paper*, had occasioned DEPRECIATION; and were the PRINCIPAL CAUSES of the unfavorable rate of

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\* If his Lordship believed that the reduction of the Exchange to par would occasion a loss in this proportion, he will no doubt be astonished to hear that *the whole REVENUE OF IRELAND IS DIMINISHED, in effect, in a ratio at least equal to the rate per cent. that the Exchange is above PAR.* Yet I pledge myself to verify this important position.

IRISH EXCHANGE: in which opinion Lord HENRY PETTY and Mr. FOX concurred; and

That Mr. PITT expressly stated that *the* NOTES of the BANK of IRELAND were depreciated, and those of the BANK of ENGLAND were NOT depreciated.

The opinions of persons so very eminent, both in abilities and situation, are always entitled to particular respect.—Those above-mentioned, and the extraordinary matter of fact, demand my most careful examination; and shall therefore be *collateral* subjects of my future letters: not merely because the opinions are extremely different from those which I have already delivered; but also because *the proceedings of the two national Banks affect the vital interests of the British empire*:—and because, I think, the DIRECTORS of those BANKS are invested with greater and more injurious POWERS than were ever GRANTED, prior to the CHARTER of the BANK of ENGLAND, to any SUBJECTS NOT RESPONSIBLE to their country in the capacity of MINISTERS OF STATE:—Powers, which were craftily exercised by the merchants

before their incorporation as a banking company ;—*which then operated, and still do operate, to diminish the public and private REVENUE of the KING ;—to reduce, in effect, the SETTLED RENTAL of every private individual ;—and, of course, to reduce the allowance of every officer under the CROWN.*

I have the honor to remain, my Lord,

YOUR LORDSHIP'S

most faithful

and most humble Servant,

**D. BEAUMONT PAYNE.**

WELLS, Somerset,  
July, 2, 1806.

TO

*The Right Honorable*

LORD GRENVILLE,

FIRST LORD OF HIS MAJESTY'S TREASURIES IN  
GREAT BRITAIN AND IRELAND.

Ec. Ec. Ec. Ec.



MY LORD,

BEFORE I proceed to investigate further that *depreciation*, which I have denied, and which is affirmed by those high authorities, whose opinions appear at the close of my last Letter, it will, I think, be extremely proper to have a right understanding of those things which are supposed to be depreciated; and then to define the term DEPRECIATION.

In my Letter to Mr. Pitt, I submitted that  
“BANK-NOTES *are a PAPER MEDIUM testifying  
the amount of CURRENCY to which the holders of  
them are entitled from the Bank, whence they were*

*issued:*”—that they are “*transferable testimonies of a right of property in their holders, according to the promises contained in them:*” and that “*they are valuable in no other view.*”

In support of these several positions, I hope, it is not necessary to attempt a regular historical account of the invention of paper medium; and that no more will be expected from me than a plain elucidation.—However, it will not be amiss (without adverting to the period, place or person of the inventor) to make, incidentally, a few general observations upon the origin of that happy contrivance, which now affords the greatest convenience to the whole commercial world.

MR. THORNTON, in his “Enquiry into the Nature and Effects of the Paper Credit of Great Britain, says, (p. 14) that “COMMERCIAL CREDIT is the foundation of PAPER CREDIT.” This is true: and the prototype of paper credit (if I may be allowed the expression) was probably nearly coeval with commercial credit. For, how can it with propriety be imagined that, in the primitive ages of commerce, mutual confidence spontaneously flourished, in a degree, to induce the generality of,

individual traders to trust their commodities in the hands of other traders, under a mere parole engagement, that other commodities of reputed equal value should be delivered in exchange at a future day? When the BARTER \* was not instantly completed, it seems natural to presume, that some visible testimony would be required of the delivery of goods without an equivalent. And when the arts of writing and accounts had been invented, the readiest evidence of facts (one would think) must have been *written acknowledgements of the value of the credit given, on the one side, and of the promise to be performed at some subsequent period, on the other.* Herein we perceive the commencement of *promissory notes.*

Weights and measures were very early inventions: and the eventual adoption of the precious metals as the *common medium of BARTER*, gradually matured those inventions into great perfection. Merchants resorting to distant markets necessarily became acquainted with other mer-

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\* The word *barter* is grown almost obsolete: but a moment's reflection will convince that the acts of buying and selling are, in fact, two operations whereby we still *barter* some commodity in our possession for another that we want.

chants; and the interchange of commodities begot, of course, an interchange of civilities. These (perhaps more by accident than by design) ultimately led to mutual convenience in the adoption of a paper medium to facilitate the various operations of commerce; to accelerate the final adjustment of accounts; and to enable the paying and receiving of balances by parties far removed from each other.—A few examples may afford agreeable illustration.

Permit me to suppose that, an *English merchant* in the beginning of the seventeenth century, *exported* a cargo of British commodities as an adventure to *Hamburgh*. His object, unquestionably in such a case, must have been to *barter* those commodities for foreign commodities that would yield him a profit on being *imported* into this country. Whether the commodity which he chose to *import* were gold, or silver, or continental produce, must have depended upon considerations of the probability of *gain*, on *selling*, or bartering them again in the English market. For my present purpose, I shall suppose that he bartered his whole adventure; and safely returned to England with 2000 ounces of SILVER *in BARS*.

On his arrival in London (I may further suppose) he projected another adventure. But the previous step must have been a conversion of his SILVER BULLION into current British money; which he might do by *two* modes:—either, by taking it to the BRITISH MINT to be coined; or, by selling it to a Jew, or GOLDSMITH, at the market price of bullion. In the event of adopting the former mode, he must, after taking the bullion to the MINT, have experienced a DELAY of probably three months: then the silver would be returned to him in COINS at the rate of five shillings and two-pence per ounce; making the sum of £516 : 13 : 4. But if he adopted the latter mode, and carried his bullion to one of the Jews or goldsmiths, (who were in that day almost the only dealers in bullion) he was, perhaps, allowed for his silver five shillings and six-pence\* per ounce, or £550, for the whole: making £33 : 6 : 8 more than the Mint allowance. The latter mode, therefore, being so much more advantageous, I cannot hesitate in supposing that a merchant, whose object was gain, would prefer it to the former.

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\* The question, Why was the market price more than the Mint price? will be answered in another place.

Presuming, then, that the merchant went to a wealthy goldsmith, who was in high credit, I may further suppose, the silver to have been examined and weighed, the price agreed upon, and the value computed : and that the merchant, not wishing to incumber himself with the money, requested to have a written acknowledgement from the goldsmith, that so much value had been left in his hands ; to be accounted for when demanded, either by the merchant, or by any other person whom he might chuse to send with a written order for it.

From the goldsmith's the merchant proceeded to the houses of FACTORS and MANUFACTURERS (amongst whom he was well known and in good repute), in search of fit articles for another adventure. Those, with whom he dealt, had no objection to deliver into his warehouses any commodities that he desired ; neither had they any objection to take his orders afterwards upon the goldsmith, for the value of their commodities. He therefore gave them written orders, according to their several rights, in terms resembling the following.

“ Mr. ———, goldsmith, please to pay to Mr. ———, factor, fifty pounds, (or as the sums were) for goods delivered, and I will allow it in my account with you, and remain, Sir, your humble servant.”

These, with his signature, enabled the merchant to make his payments without the care and trouble of telling over the cash, either at receiving, or at paying; and likewise saved him from the risk of keeping so much money in his own house.

It is not improbable that many merchants of those days, soon adopted the same mode of making their payments: nor that the occasional necessity for an *intermediate agent* between the *factor*, or *manufacturer*, and the goldsmiths, soon introduced the words “*or to his order*” after the names of the persons to whom the orders were first given. The MONEY-ORDERS were *then* payable “*to Mr. ———, factor, or to his order.*”—With this amendment, orders or drafts might have sometimes passed through several hands before they were taken to the goldsmith’s to be exchanged for cash. The frequent observance of

such occurrences would naturally lead to the idea of a circulating paper: and, in the connexion of all these positions, we discover the origin of *drafts upon bankers*, and of *banking accounts*.

As the extension of commerce gradually enlarged the sphere of each merchant's actions, it gave also by degrees a liberal expansion to the mind: and the accumulation of wealth, creating an accession of power, naturally nourished the love of ease. Repeated dealings between merchants of different countries imperceptibly paved the way to esteem and confidence: and that commercial faith, which was first exercised among neighbours, at length extended itself to persons at a distance. This rapidly improved the trading system. Merchants of eminence no longer thought it necessary to attend their commodities to foreign markets; but, consigning them to foreign merchants of like eminence, gave employment to each other in the capacity of agents:—thus acting reciprocally at their respective markets, according as the private views of each from time to time directed. A. residing in England, sometimes consigned goods for sale to B. residing in Hamburgh: and B. in like manner consigned goods

to A. to be sold in England: and they occasionally commissioned each other to purchase such commodities as would probably afford a profit upon importation. This mode of buying and selling, in foreign markets by commission, became in time, the general practice; and is continued to this day.

It consequently often happened that when the *foreign agent* could not purchase other commodities at a limited price, to ship in return for goods which had been consigned to him, that agent was under the necessity of shipping *bullion* for the produce of his sales. And, as similar operations by different agents were sometimes performing at the same period in both countries, it followed that while B. of Hamburgh was sending bullion to A. in England; C. in England was also sending bullion to D. of Hamburgh. On the one part, there was an *importation*, and on the other an *exportation* of bullion. Therefore, if the sums were equal, there was not any accession of the precious metals: (which our ancestors were always so anxious to preserve in this country) but A. and D. both incurred the expence of freight and insurance; besides the charges at-

tending the procuration of exportable bullion, and of afterwards converting it into the currency of their respective countries.

Although the fear of rivalry, might, in the infancy of commerce, have occasioned reserve and distrust, among fellow merchants of the same country; yet experience soon taught them, that their common interest would be best promoted by a communion of principles, for the regulation of their trade; and that their profits, instead of being diminished by imprudent opposition, might be greatly *increased* by a wiser system of co-operation and friendly contrivances. These considerations were probably strengthened by such accidental events as sometimes made them understand that a league was absolutely necessary for their mutual defence. Fear is a great promoter of alliances; but as fear has many sources, so the objects of the alliances suggested by it, are as various as the sources from whence they spring. The league of the merchants resembled the confederacy of states; in being offensive and defensive: but its principal object was—not by ARMS, but—by ARTS—to *levy contributions on all the rest of mankind*. Yet, as the confederating

parties were not in situations of perfect equality, the *strong*, among themselves, had considerable advantages over the *weak*; and those advantages were often used for private emolument; in obtaining MONOPOLIES from the mistaken and erroneous bounty of *unwary governments*.

If there were any public or private charges upon mercantile commodities, tending legally, or casually, to an abridgment of the trading profits; the means of evading those charges were happy inventions: and seem, therefore, to have been most secretly and successfully cherished by the whole community of merchants.

*The charges attending the importation of bullion*, were more of a private, than of a public, nature: they operated, however, like a tax upon the *importer*; and could seldom be added, (in the manner that *charges are usually added to the cost of all other commodities*) so as to be recovered in the price of the sales.

Eminent merchants were taught by their individual experience, that, through the intercourse of many merchants with foreign markets, BUL-

LION was constantly passing and repassing from one market to another; and they knew also the amount of the charges incurred for freight, insurance, agency, &c.

By frequently revolving this matter in the mind, in search of a REMEDY, it was, at last, perceived, that a merchant might direct his foreign agent to pay money to any third person, with as much propriety as he directed similar operations to be performed by his goldsmith at home, and that if an English merchant, who had money due to him in Hamburgh, could find a merchant who wanted to pay money there, both parties might be accommodated, and the usual expence be wholly avoided.

When merchants began to traffic with foreign countries, where the precious metals were current as money, authorized and issued by the Governments, it was indispensibly necessary to learn—not the denominations ONLY, but also—the quality, or intrinsic value of the currencies of those countries, in comparison with the currency of the country where their commodities were bought. For, Mr. Locke truly states, in his “Considerations of raising the Value of Money,” that it is the QUANTITY of silver that

*buys commodities, and not the stamp and denomination upon it."* When both the value and the denomination were well understood, it was easy to fix intelligible prices to their commodities; and, *to apportion those prices to the cost and charges of the goods, as well as to their desires of gain.*

It follows, that *the intercourse which opened a commerce by AGENCY, gave to the merchants of the respective countries, an intimate knowledge of the CURRENCIES of each particular Government:* and those merchants were made further acquainted with the relative values of those currencies, by comparing the produce in their own coin, of any given sum of foreign money, when sold to, or exchanged with, a goldsmith.

Therefore, when the idea was conceived, that the expence of transporting bullion might be avoided, by written orders for the payment of a sum of money by one foreign agent to another, there was nothing wanted for the execution of the project, but a meeting of parties in opposite circumstances;—of those who wanted to *import*, and of those who wanted to *export*, money or bullion.

However, the author of the project also conceived that he might derive from it still *greater advantages than the mere saving of his usual expences*;—that “by keeping his own counsel” he might not only serve himself, but obtain also a *commission or agency-fee, for the accommodation which he proposed should result to another.*

If A. found that *all the various charges upon his IMPORTATIONS of bullion, from Hamburgh, amounted to three per cent.*; he must know that those upon EXPORTATIONS were nearly in the same proportion: and thence he might naturally infer, that, *if he would offer to CONVEY and INSURE money from England to Hamburgh at two per cent.* those, who had remittances due to their friends in Hamburgh, would be glad to seize the opportunity of *saving one per cent.*:—that is—of conveying money to Hamburgh at *two thirds of the usual charges.*

Let me now suppose that A. resolved to make an experiment: and that, therefore, at the same time that he gave B. of Hamburgh notice of a *CARGO of goods consigned to him for sale*, he gave him also to understand that *the produce of sales*

*might be retained in his hands, until he (A.) should send directions how to dispose of it.*

Going afterwards to the merchants' usual rendezvous for bartering, selling or *exchanging*, their respective commodities (which place is since called THE EXCHANGE, as your Lordship knows, from the object of their meeting) *A. made known to his brother-merchants, that he would convey money to Hamburgh at two per cent. freight and insurance included.*

C. having in his hands a sum of money belonging to D. of Hamburgh (which he was about to send) presently engaged with A. for the conveyance according to his offer. A. thereupon received the sum in English currency—deducted his agency of two per cent.—calculated the value of the remainder in Hamburgh currency—wrote and addressed an order to B. directing the payment of so much Hamburgh currency to C. *or to his order*—C. remitted the order to D.—and D. on its arrival, went to B. who, of course, delivered the money according to the directions.—Thus the several parties were accommodated; and thus, apparently, *BILLS of EXCHANGE originated.*

D. was probably well-pleased with the contrivance which saved him *one* per cent.: and A. (your Lordship will perceive) had abundant reason to exult in his discovery. By receiving *two* per cent. from C. and *avoiding* the charge of *three* per cent. which he must have incurred in the ordinary mode, he had, in effect, gained *five* per cent.; with the additional convenience of English money for his *immediate* use.

It may further be supposed that C. was not the *only* merchant desirous of embracing the opportunity of sending money on such easy terms; and that in consequence of the known responsibility of A. the applications to him were so numerous, or of such value, that he was under the necessity of declaring, *he could take no more*:—his powers being obviously limited by the amount of his consignment to B. However, those who were disappointed (knowing that if they paid *two and a half* per cent. it would be less than the usual charges,) tempted A. by offering a higher rate than that which he himself had announced. But his means were exhausted. Yet the bright prospect, thus opening upon him, gave vigor to his faculties—made him conceive the possibility of

improving his scheme—and therefore he intimated that although he could not instantly extend his engagements, he would endeavour to accommodate them in a very few days.

Deeply pondering the subject, and contemplating the great and unexpected benefits which had suddenly accrued to him; he began to discover that his new business was capable of great improvements:—*that the profits derived from it, would enable him to sell the goods which he exported to Hamburgh CHEAPER than his neighbours could sell there—that he might consequently obtain a greater vent in that market—and that, if his sales in Hamburgh were increased by means of a small reduction in the prices of his commodities, he might then be morally certain of the ability to enlarge his newly-invented business.*

It further occurred to him that, as he was instantly in possession of the money which he engaged to convey, that money would allow him to purchase other commodities for exportation; and to obtain an abatement of prices in consideration of his prompt payment—that such a proceeding would increase his profits—and that all these advantages com-

bined would give him such a decisive power over the prices of the Hamburgh market, as might bid defiance, for some time, to the efforts of his competitors.

It moreover appeared to him that, as it was understood he had no immediate conveyance for the sums, which he had been requested to send, *it might be, therefore, possible to get the money into his possession on a condition that he should forward it within a limited period:* and that, if this point could be carried, he should then have plenty of time to perfect his designs.

Having properly digested these several ideas, (which are drawn from the leading principles in mercantile affairs) he informed the merchants that *he could undertake to transmit their money on the terms he at first proposed; if they would permit him so far to consult his own convenience, in the time of the conveyance, as not to pledge himself for its delivery in Hamburgh before the expiration of a certain number of days.*

This condition, (being, in fact, within the allowance which they could afford to make, rather

than incur the whole of the usual charges) was readily agreed to. A. therefore received their money; and (proceeding as he had done with C.) gave them Order-Letters addressed to B; directing him to deliver, six\* weeks from the date, so much Hamburgh currency as was mentioned therein.—In this transaction we perceive the origin of *BILLS of EXCHANGE, with a limitation of the time for payment.*

A. immediately thereafter put his whole scheme in operation; thereby enlarging and improving his trade, and rapidly accumulating extraordinary profits.

The experience of A. however, soon convinced him, that *entire dependance upon the sales of B. might*, in the event of a cessation in the demand for British commodities, sometimes occasion either the non-performance of his engagements in Hamburgh, or *compel B. to borrow at*

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\* The Usance of Bills drawn by England on Hamburgh, is *one month after date*: but there are, I believe, *twelve days of grace* allowed to the merchants; (if they chuse to defer the payment so long after the expiration of the month.) The whole time is, therefore, six weeks.

*high interest, or to sell goods at an extremely reduced price, for the purpose of raising money to obey the money-orders directed to him for payment.*

A. therefore thought it expedient to avert that danger, by making B acquainted with a principal part of his scheme, and then proposing *a union of their operations* in such an arrangement as might enlarge their scale of business, and enable them *jointly to engage for the conveyance of money, both from London to Hamburgh, and from Hamburgh to London.*

B. perceiving the advantages that must accrue to himself from the scheme and proposal, readily agreed to it; and, following the instructions of A. became a money-agent to the Hamburgh merchants; who were glad to take his orders, addressed to A. for the delivery of money in England. By means of this SYSTEM of co-operation, *the receipts of each in their respective markets supplied in a great degree, the money requisite for making the payments directed by the other.* Their charges for agency, or the rates of conveyance, upon their several transactions, *were, consequently all clear gains*—arising from the trouble of merely

receiving the money, making an entry of it in their books, and writing an order for the delivery of a computed equivalent.—*This is the original* SYSTEM *of* DEALING *in* EXCHANGE, *by the* MEDIUM *of* BILLS.

I think, that your Lordship will concur with me in opinion, that the INVENTORS of this system were entitled to the profits accruing from their laudable ingenuity : and that, if the practice of it had always been conformable to the examples of A. and B. there never could have been an equitable foundation for complaint. Unfortunately, however, the noblest institutions are liable to abuse. Even those of divine establishment, when operating by the agency of human beings, seem at times to deviate from the designs of their omnipotent author. But, as

“ The eternal art educes good from ill,”

so, perhaps, it is ordained that the aberrations of DEALERS *in* EXCHANGE shall be finally conducive to the happiest results. The KING's ministers will make an accurate distinction between the SYSTEM *of* EXCHANGE, and the ARTS *of those persons*, who have rendered it subservient to un-

generous purposes: and, while they devise the means of preventing future malefactions, will take care that the system itself may be preserved inviolate.

I have already hinted to your Lordship, that I cannot pretend to write a history of paper medium: neither do I attempt a complete chronicle of events in the System of Exchange. Therefore it will be understood that, in mentioning any period, or in assuming *data* for particular illustrations, I do so with a view to my general expositions, rather than for the sake of historical exactness.

I have supposed the first example in this Letter, (p. 88) to have taken place in the beginning of the seventeenth century: but it might with equal propriety have been imagined at an earlier period.

In Mr. Hume's history, it is said that, "the trade of England was anciently carried on altogether by foreigners; chiefly the inhabitants of the Hanse-towns, or Easterlings, as they were called: and that, in order to encourage those merchants to *settle* in England, they had been erected into a

corporation by Henry III.; had obtained a patent; were endowed with privileges; and were exempted from several heavy duties paid by other aliens. So ignorant, were the English, of commerce, that this company, usually denominated the Merchants of the Stil-yard, engrossed, even down to the reign of Edward VI. almost the whole foreign trade of the kingdom."

But in the reign of Henry VIII. "a jealousy arose against the foreign merchants, and, to appease it, a law was enacted, obliging all denizens to pay the duties imposed upon aliens." This tempted the English to enter into commerce; and a spirit of industry began to appear in the kingdom. Until the passing of this act, the advantages, which the English merchants, by their very situation, as natives, possessed above foreigners, in the purchase of cloth, wool, and other commodities, had not been sufficient to rouse their industry, or to engage them to become rivals of that opulent company."

"The Council of Edward *annulled* the privileges of that corporation (which had put them nearly on an equal footing with Englishmen, in

the duties which they paid,)” and the Company was further discouraged “by the extortions of Queen Mary :” Yet, the English merchants did not rapidly increase, till “the merchants of the Hanse-towns complained loudly, in the beginning of Elizabeth’s reign, of the treatment which they had received in the reigns of Edward and Mary. Queen Elizabeth prudently replied, that, as she would not innovate any thing, she would still protect them, in the immunities and privileges of which she found them possessed. This answer not contenting them, their commerce was soon afterwards suspended for a time, to the great advantage of the English merchants: who now tried what they could themselves effect for promoting their commerce. They took the whole trade into their own hands ; and their returns proving successful, they divided themselves into staplers, and merchant-adventurers : the former *residing constantly at one place* ; the latter trying their fortunes in other towns, and *states abroad*, with cloth and other manufactures.”

“The persecutions which the inhabitants of the Low-Countries suffered under the bigotry of Philip and the Government of the Duke of Alva ;

and the violation of their mercantile privileges, induced many of the Flemings to take shelter in England: and as these were the most industrious people of the Netherlands, and had rendered that country celebrated for its arts, Elizabeth, by affording them protection, reaped the advantage of introducing some useful manufactures, which were till then unknown in this kingdom.”

By the settlement of *foreigners in England*, and of *Englishmen in foreign countries*, all those conveniencies were attained which the most skilful merchants would require for carrying on the business of Exchange, with ease and advantage, in their most extensive and important operations.

But it seems to me that almost every modern, who speaks or writes upon the subject of Exchange, confines himself merely to the idea of *bartering the money of different countries* under the influence of varying circumstances: whereas, in my opinion, Exchange should be also considered in its most general sense; as applying to every transaction of commerce, wherein one commodity is given for another; whether of the same, or of different kinds and denominations.

Exchanges may be either internal and single, or external and compound.

By internal and single Exchanges, I mean that traffic or barter which is carried on between the subjects of any particular state; or between them and aliens within the jurisdiction of that state or government.

By external and compound Exchanges, I mean all those pecuniary and commercial transactions which pass between the subjects of different states; and which cannot be settled without involving *a consideration of the measure of value peculiar to each of those states* or governments.

Silver has been a measure of value from the earliest periods of history. It was, and still is, I believe, the principal measure of value in the East: it has, I think, been almost uniformly so in Europe: and (I have reason to suppose that) it is, in fact, the *primary measure* referred to by merchants in estimating the value, and fixing the selling prices of all their commodities, even in those countries where gold is sometimes used as currency. Nevertheless silver has not been always considered the primary measure by those

eminent persons, who, from time to time, have constituted the government of this country : nor, indeed, by many other governments.

Silver was the only metallic measure of the value of property in England, from the accession of William the Conqueror, to the 41st year of Henry III. a period of 191 years.—*The pound in TALE was then equal to the pound in WEIGHT of standard silver*, as issued from the Tower. The *pound in tale* was divided into twenty shillings, and each shilling into twelve pence, or sterlings. The *pound weight* was divided into twelve ounces; and each ounce into twenty penny-weights : so that each penny, or sterling, weighed one penny-weight, or twenty-four grains. The only coins made in this early period were *pennies*, or sterlings\*.

According to Dr. Adam Smith, “ the revenues of the ancient Saxon kings of England, are said to have been paid—not in money, but in kind ; that is, in victuals and provisions of all sorts. William the Conqueror introduced the custom of paying them in money. This money

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\* Lord Liverpool's Letter to the King, p. 29.

was, however, for a long time received at the Exchequer by weight, and not by tale\*.” But my Lord Liverpool sayst† that, “ in the reigns of William I. and William II. and during a great part of the reign of Henry I. the KING’s *rents*, arising from his demesnes (which were at that time the principal part of the royal revenue) *though reserved in money*, were answered in *cattle, corn, and other provisions*, “ because money was then scarce among the people.” However, I think it extremely probable that, some persons paid in money, and others in kind, as best suited their convenience. His Lordship adds, that “ the rents of private landlords continued to be paid in kind to a still later period :” and that “ the commerce of the country, whether *foreign or internal*, was, during that period, of no great extent.”

It will naturally be inferred by your Lordship, that when William I. collected his *revenue*, which was payable in money, *if he received it in KIND*, the quantity delivered to him, was deemed equivalent to the rent reserved in MONEY: and that, when private landlords discontinued the practice of receiving in KIND, they received a QUANTITY OF MO-

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\* Wealth of Nations, v. I. p. 38.

† Letter to the King, p. 39.

NEY deemed also equivalent to the rent reserved in kind. Both of these deviations, from the conditions of the several tenures, were obviously cases of simple, or single, Exchange: wherein a commutation was made of a certain portion of one description of commodities, for such portions of other commodities as were then computed to be of equal value.

The money-rent reserved to the CROWN must have been, I presume, a certain number of pounds sterling; and, consequently, the money paid into the Exchequer, by WEIGHT, must have been always equal to the number of pounds reserved in TALE. But when the officers of the King's Exchequer were subsequently content to receive the money-revenue by TALE, and NOT by WEIGHT, the deficiency in the WEIGHT, must, eventually, have been a REDUCTION OF THE REVENUE in proportion to that deficiency.

We have observed that in those "very early times silver coins were WEIGHTS as well as COINS; or, in other words, a pound, in tale, of silver coins was equal to a pound weight of standard silver; and that the silver penny (which was probably the only coin then in currency) was the 240th part of a pound in weight, and was intended to contain exactly a penny-weight of standard silver: so

that these coins expressed and defined the precise QUANTITY of silver, which they were intended to represent. The reverse of the penny was stamped with a cross through the middle of it: the people occasionally broke the penny in the part where the cross divided it; and then it passed as a *half-penny*. And they sometimes broke the half of the penny into two equal parts, that is, a *fourthing* or farthing. This practice continued till silver halfpence and farthings were coined."

"During that period (so correct were our ancestors in regulating their payments) rules were adopted to remedy any defect, either in the weight or fineness, of the coins then current. When they were deficient in weight, from wear, or any other cause, the method of payment was called *compensatio ad pensum*: the coins were in such case put into a scale, and taken by WEIGHT without any regard to the NUMBER. At other times, the deficiency in weight was compensated by an estimated proportion, or allowance, in order to save the trouble of weighing. This proportion, or allowance, was a 40th part or six pennies in each pound; and this was called *compensatio ad scalam*. And when a suspicion was entertained that any of the coins were not made of standard silver, either from errors committed by

the officers of the mint (which in those early times were not uncommon) or from other causes, *a method was practised of ascertaining the fineness, by a mode of assaying them, called trial by combustion. It is certain that all those rules were observed by the sheriffs in receiving the King's rents; and by them and others in making payments into the Exchequer. And, as the kings of this realm had in those times great estates in every county of England, from which their principal revenue was derived, it is probable that the same rules were generally known and practised in all payments whatsoever."*

“ This system for regulating the silver currency continued to subsist to the 28th of Edward I. Then that monarch *first debased the silver coins of the realm; and from that time, a pound in tale no longer contained, in weight, a pound of standard silver: consequently the coins then made did not contain so much silver as their NAMES implied.* In all the successive debasements made in our coins (which will be noticed in another Letter) *the quantity of standard silver which the pound in tale originally represented, was by degrees further diminished.* The denomination therefore of a pound in tale, and of the coins representing all

its parts, became from thenceforth merely arbitrary and dependant on the will of the sovereign. *The weight of the silver coin, frequently, did not correspond with any aliquot parts of the pound, according to the weights then in use, but was sometimes made up of fractional parts even of a grain.* The practice of weighing then began to be abandoned ; for *the people, in general, could not know, what the precise weight of each coin should be\**

Till the reign of Henry III. I do not find that any direct efforts were made by the sovereign to improve the trade of this country ; and those of that monarch seem to have sprung from his attachment to *foreigners* rather than from benevolence to his natural subjects. Mr. Hume says†, that the king “ had not the prudence to chuse right measures ; he wanted even that constancy which sometimes gives weight to wrong ones ; he was entirely devoted to his favorites, who were always foreigners ; and he lavished on them without discretion his diminished revenue.” Perhaps it was that predilection for *foreigners* which suggested *the charter granted to the merchants of the Hanse towns.* To the secret influence of those

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\* Lord Liverpool's Letter to the King, p. 132, 3, 4.

† Hume's England, Vol. II, p. 176.

merchants may probably be attributed the introduction of gold coins ; which were first coined at the English mint in the 41st year of that prince's reign. " They were called *gold pennies*, weighing two *sterlings*, or the 120th part of the Tower pound: which gold pennies were to pass each for *twenty silver pennies*, or *sterlings, in tale*. The *currency* of this gold money was *enforced* by a precept directed to the mayor and sheriffs of the city of London. However *the citizens of London made representations against those gold coins* very soon after they were first issued. The KING, therefore, *put forth a proclamation, declaring that nobody was obliged to take them*: and that *whoever chose to receive them in payment might bring them to his Exchange, and receive there the value at which each had been made current*: but HALF A STERLING, or the value of half a silver penny, WAS TO BE DEDUCTED! "probably" (my Lord Liverpool says\*) " *to compensate the charge of coinage.*" But the deduction agrees exactly with the *compensatio ad scalam* already mentioned; which was *two pounds and a half per cent.!!* " From these circumstances it may be inferred that, those gold pennies did not then get into general circulation."

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\* Letter to the King, p. 38, 39.

GOLD is seldom considered by merchants as a measure of value. It is usually distinguished by them as a vendible commodity, rather than as a measure of property. When gold seems to be actually the measure of value, that appearance indicates an ERROR in the GOVERNMENT which issued it in COINS. It becomes a nominal measure, by the authority of the sovereign; but is ACTUALLY A MEASURE, only by the mercantile estimation of its worth in COMPARISON with SILVER.

“ From the time when GOLD COINS were issued as currency, under the authority of the sovereign, the pound sterling, in TALE, represented a certain QUANTITY, or weight, of standard gold; in like manner as those coins” nominally “ represented a certain quantity, or weight, of standard silver. The nominal value of the gold coins was from time to time enhanced, or their weight diminished, in proportion as the silver coins were debased\*” by variations in the quantity of pure silver contained in their respective denominations.

As it was ever the business of merchants to get the best prices for their commodities, so they have always embraced occasions for raising the nominal

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\* Lord Liverpool's Letter to the King, p. 135.

price of gold. **KINGS** and their ministers have been frequently deceived by the fallacious appearances of the nominal price in the market; and have yielded, (perhaps, in most cases, *innocently*) to suggestions which provoked Dr. Adam Smith to speak thus severely\*: “ *In every country of the world, the avarice and injustice of PRINCES and SOVEREIGN-STATES, abusing the confidence of their subjects, have, by degrees, diminished the QUANTITY of METAL, which had been ORIGINALLY contained in the coins. By means of those operations the PRINCES and sovereign states WERE ENABLED, in appearance, TO PAY THEIR DEBTS, and fulfil their engagements, WITH A SMALLER QUANTITY OF SILVER than would otherwise have been requisite. It was indeed in appearance only: for their CREDITORS WERE REALLY DEFRAUDED of a part of what was due to them. All other DEBTORS in the state were allowed the same privilege; and might pay the same NOMINAL sum of the NEW and DEBASED COIN, whatever they had borrowed in the OLD.*” He adds, “ *Such operations, therefore, have always proved FAVORABLE to the DEBTOR, and RUINOUS to the CREDITOR; and have sometimes produced a greater and more universal revo-*

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\* Wealth of Nations, vol. 1, p. 40.

*lution in the fortunes of private persons, than could have been occasioned by a very great public calamity."*

Was the learned Doctor aware that the PRINCES and SOVEREIGN STATES were, in fact, the GREATEST SUFFERERS by every one of those operations? Did he perceive that the merchants were the only persons who could possibly be benefited thereby? That few, besides the merchants, were able to take silver and gold to the mint to be coined into the degraded money? and that if the princes and sovereign states coined a sum, for their own wants, equal to one fifth of their whole revenue, the GAIN upon that ONE fifth would occasion a LOSS, upon the other FOUR fifths of their revenue, in proportion to their IMAGINARY GAIN:—unless their rents and taxes were raised in the same ratio, according to the practice of the merchant; who "adjusts the price of his goods, as well as he can, not to what the weights and measures OUGHT TO BE, but to what, upon an average, he finds by experience they actually are\*." The sovereign is, in fact, the greatest CREDITOR in the state; and must receive his rents and taxes in the money which he himself authorizes to be current. Therefore (I infer that) the SOVEREIGN could not have meditated an injury to his SUBJECTS in the alteration of the

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\* Wealth of Nations, Vol. I. p. 69.

coins. Because it argues an unnatural blindness in PRINCES to suppose that they could calculate the SEEMING ADVANTAGES on the one hand, and not perceive the ACTUAL INJURY which they themselves must sustain on the other.—Every increase in the NOMINAL value of the current money being an actual DEDUCTION from the public REVENUE, in a ratio, at least, equal to the fraud committed upon the subject.

It is the design of my expositions to illustrate this theory, by evidence that, in my opinion, cannot be refuted! and to prove the fallacy of those doctrines which account, by referring to imaginary causes, for the progressive rising in the prices of commodities; and more especially by alleging the DEPRECIATION of the paper medium of England and Ireland: without considering that BANK NOTES cannot be of any value, other than as they are representatives of the money used in payment at the respective Banks from whence they were issued.

I am persuaded that your Lordship will not find it difficult to admit that “ Bank notes are merely transferable testimonies of a right of property in their holders, according to the promises contained in them; and that they are valuable in

no other view." Nevertheless, as doubts, may remain in the minds of other readers, I think that a reference to the origin of the Bank of England may materially contribute to establish my positions.

Dr. Smollett mentions that in 1693, "The scheme of a national Bank, *like those of Amsterdam and Genoa*, had been recommended to the ministry of William III. as an excellent institution; as well for the credit and security of the government, as for the increase of trade and circulation. The scheme was founded on the notion of a transferable fund, and a circulation by bill on the credit of a large capital. Forty merchants subscribed to the amount of £500,000, as a fund of ready money to circulate one million at *eight per cent.* to be lent to the government."

As the Bank of England was to resemble "those of Amsterdam and Genoa," and as the Bank of Amsterdam has been particularly described by Dr. Adam Smith (on the authority of information received from Mr. Henry Hope, the celebrated merchant and banker of that city, and probably the greatest dealer in Exchange in the whole commercial world,) I submit to your Lordship a part of the Doctor's narrative in the following words.

“ Before 1609, the great quantity of clipt and worn foreign coin, which the extensive trade of Amsterdam brought from all parts of Europe, reduced the value of its currency, about nine per cent. below that of good money fresh from the mint. Such money no sooner appeared than it was melted down, or carried away; as it always is in such circumstances. The merchants with plenty of currency, could not always find a sufficient quantity of good money to pay their Bills of Exchange; and the value of those bills, in spite of several regulations made to prevent it, became, in a great measure, uncertain.”

“ In order to remedy these inconveniencies, a Bank was established in 1609, under the guarantee of the city. This Bank received both foreign coin, and the light and worn coin of the country, at its real intrinsic value, in the good standard money of the country: deducting only so much as was necessary for defraying the expence of coinage, and the other necessary expence of management. For the value which remained, after this small deduction was made, it gave a credit in its books. This credit was called Bank money; which, as it represented money exactly according to the standard of the mint, was always of the same value; and intrinsically worth more than current money.”

“ It was at the same time enacted, that all bills drawn upon, or negotiated at, Amsterdam, of the value of six hundred guilders and upwards, should be paid in Bank money; WHICH, at once, TOOK AWAY ALL UNCERTAINTY IN THE VALUE OF THOSE BILLS.

“ Every merchant, in consequence of this regulation, was obliged to keep an account with the Bank, in order to pay his foreign Bills of Exchange: which necessarily occasioned a certain demand for Bank money\*.”

I have no doubt that this ingenious part of the narrative is faithfully drawn from the materials delivered to Dr. Adam Smith. But your Lordship will instantly perceive the improbability of a COMPLAINT originating with those who had TO PAY Bills of Exchange. It is evident, from the Doctor's first sentence, that “ the great quantity of clipt and worn foreign coin,” which had “ reduced the value of the CURRENCY of Amsterdam,” must have been current, in all payments, at a specific NOMINAL value; and that, consequently, “ the

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\* Wealth of Nations, Vol. II. p. 220, &c.

*merchants, with plenty of currency," if they knew; or could even guess at, the motives of those who "melted down, or carried away the good money fresh from the Mint," could not easily be PERSUADED to "find a sufficient quantity of good money to pay their Bills of Exchange."*

Considering, for a minute, the pursuits of merchants, it becomes *palpable* that the *precious metals* are, at once, the *media*, and the *objects* of their *traffic*: and that their *profits*, or *gains*, are *computed* by the *actual differences* between the QUANTITIES PAID and the QUANTITIES RECEIVED. This is the *grand fundamental TRUTH*—the *great SECRET* of all *commercial transactions*. And it was the *want* of this *essential knowledge*, or, at least, of *proper attention* to it, that often, in *former times*, involved the *Executive Governments* of this kingdom, in *pecuniary difficulties*: when *ministers* had supposed that *ample provisions* were made for the *exigencies* of the *public service*. It was *inattention* to this important matter that created the necessity for loan after loan, in wonderful succession:—and heaped the present monstrous debt upon the shoulders of our country; now groaning beneath the oppressive weight; although surrounded by the glory

of valiant achievements.—And it is the possession of, and *attention to, this creative secret*, which enables the fraternity of merchants to covenant, from time to time, for such enormous loans, as fill the rival powers of Europe with envy and amazement; and would have seemed incredible romance, in the ears of our progenitors.

Keeping this important truth continually before us; your Lordship will plainly see the *reason*, why the Dutch “merchants paid their Bills of Exchange in *clipt and worn foreign coin*,” and why “*good money fresh from the Mint*, no sooner appeared, than it *was melted down, or carried away*,” (and why Mr. Hope, or Dr. Adam Smith could add the testimonial finish to the sentence,) “*as it ALWAYS is, in such circumstances.*” And your Lordship will have no difficulty in believing that “*the value of those bills became, in a great measure, UNCERTAIN*,” nor that *that uncertainty was a grievance severely felt by those who had Bills of Exchange, which they were under the necessity of receiving in the CURRENT money, according to its nominal worth.*

The learned Doctor correctly mentions (p. 219) that *if foreign Bills of Exchange are paid in worn,*

*clipt, or degraded currency; the uncertain value of any sum, (of what is in itself so uncertain) must render the EXCHANGE always very much against the State, whose currency is so degraded below the standard value: its currency being, in all foreign states, necessarily valued even below what it is worth."*

The injury arising from a defective currency, in any country, is consequently felt, not only at the time of *receiving the amount* of bills drawn upon that country, but also at the time of *purchasing bills* there, for the purpose of a remittance to any other country, where the coin is in more perfect accordance with the standard of its mint.

The means devised by the Dutch "*to remedy these inconveniences*" are no less remarkable for their efficacy, than for their admirable simplicity: (although a capital defect will be noticed hereafter) and they are, in my opinion, eminently entitled to your Lordship's attention.

*A Bank was established, under the guarantec of the city. This Bank received both foreign coin, and the light and worn coin of the country, at its real intrinsic value in the good standard money of*

*the country; deducting only so much as was necessary for defraying the expence of coinage, and the other necessary expence of management. For the value which remained, after this small deduction was made, it gave a credit in its books."*

This seems to have been the mode adopted for establishing a fund: but whether with or without a limit of proportions does not appear. However, in this mode, your Lordship will perceive the ESSENCE of that *System of Exchange*, which is partly disclosed in my general expositions. "The Bank received both *foreign coin*, and the *light and worn coin of the country* at its *real intrinsic value in the good standard money of the country*"—or, in other words, according to the standard laws of their MINT. The INTRINSIC VALUE was the object of enquiry—not whether it was *foreign coin*, or *coin of their own country*. And, although the BANK was established for the payment of bills in *Amsterdam*, yet no distinction was made at the Bank between the *Dutch money*, and *foreign coins*: save only as to their weight and degrees of purity. The NOMINAL value of the LIGHT and WORN COINS was entirely out of the question. For, the nominal value belonged to them, in fact, only while they were

of FULL WEIGHT. The epithets *light* and *worn* plainly intimated alterations and *deficiency*: and, as *they are said to have been about NINE per cent. below the value of GOOD MONEY, it is equally plain that the DEGREES of deficiency were taken into consideration by the MERCHANTS, as well as at the Bank ;* where their value was computed and expressed by the measure and names of the good standard money of the country.

The receipts of the current money at the Bank were clearly *transactions of Exchange, to put the light and worn money upon an EQUALITY with the standard of the Mint : and the DIFFERENCE, between the nominal value by tale, and the nominal value by weight, was the PREMIUM paid for standard money : or, in other words, it was the PAR-RATE of Exchange, in the transactions between the Bank and the merchants.*

The *deductions* subsequently made “ *to defray the expence of coinage, and the necessary expence of management,*” were nearly synonymous with the modern dealer’s charge, for agency, or commission: and those deductions more completely identify the business of Exchange.

“ *For the value which remained, after this small deduction was made, it gave a CREDIT in its books :—* that is—a record was made in the Bank-books ; and a *receipt*, or *note*, was given—to shew that the party had a RIGHT to so much standard money ; payable when, by him, demanded, or, directed to be paid, in discharge of any Bill, or Bills, of Exchange.

“ *This credit was called Bank-money ; which as it represented money exactly according to the standard of the Mint, was always of the same real value, and intrinsically worth more than current money.*” Now I submit to your Lordship, whether my general theory is, or not, a perfect recognition of this fact?—that *the Bank-credit, of which a receipt, or NOTE, is evidence, is always of the same real value as the money with which the Bank-credit is payable ?* It is precisely the matter that my arguments are meant to establish, (as will be seen by reverting to pages 68, and 69). But I shall speak again upon this point.

“ *It was ENACTED, that all bills drawn upon, or negotiated at, Amsterdam, should be paid in BANK-MONEY.*”—The force of law was necessary to

compel the use of standard money, by the merchants, in the payment of their bills : because the motives to a contrary practice were palpable ; and the prevalence of those motives gave occasion for the law.

The wisdom of that measure was instantly apparent. It “ TOOK AWAY, AT ONCE, ALL UNCERTAINTY IN THE VALUE OF BILLS !! ” Can any argument be more conclusive ? Is it not demonstration, that *the uncertain value of BILLS was occasioned by the uncertain value of the MONEY, with which they were paid ?* But I need not detain your Lordship on this point : I therefore proceed to other considerations.

“ BANK MONEY, *representing money exactly according to the STANDARD of the MINT, WAS ALWAYS intrinsically WORTH MORE than CURRENT MONEY.* ”

This sentence contains (though not in the same words) a proposition, which has puzzled several eminent writers on the subject of money. They could not comprehend *why the MARKET-PRICE of the precious metals, often and generally, EXCEEDED*

*the MINT-PRICE.* I therefore think it prudent to facilitate my future enquiries, by entering immediately on a brief discussion of that important question—which, however, will be more copiously examined in another Letter.

LORD LIVERPOOL, being the most modern writer on coins, has the prior claim to my observations. His Lordship asserts \*,

That “the coins of every kingdom, or state, are the measure of property and commerce, within every such kingdom, or state, according to the NOMINAL VALUE, declared and authorised by the sovereign, so far as they are made legal tender,” and

That “in Exchanges with foreign countries, and in payments made to them, the intrinsic value of the metal of which the coin is made, is the only measure of property and commerce: because the authority of sovereigns cannot extend to regulate payments made in foreign countries where they have no jurisdiction.”

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\* See Letter to the King. p. 16, 17.

I presume, that, the first of these propositions is *partly* answered by the preceding COMMENT, on the mode adopted at the establishment of the Bank of Amsterdam: yet it certainly deserves more particular enquiry.

I grant, that the coins of a State are the measures of property within its jurisdiction, according to the nominal value declared and authorised by the Government; but I cannot add, “*so far as they are made legal tender,*” without asking whether they *ought to be made legal tender* at any weight *less* than the standard of the Mint? I think it would be deemed inconsistent to say, that the measure of a *legal foot*, is, and shall be, *twelve inches*; yet if a man use a rule of *only eleven inches*, that measure shall be *also a legal foot*!

The noble Earl, no doubt, alluded to the *standard weight* of the English gold coins, and to the *least weight* allowed to be “legal tender.” To form a correct opinion of that allowance, it will be convenient to view it through a magnifier; which will make its defects appear more conspicuous.

If the KING were pleased to proclaim that twelve penny-weights of standard gold should be the weight of a twenty-shilling-piece; yet that pieces weighing only eleven penny-weights should be "legal tender;" can it be imagined that either *foreign* or *native* merchants would be anxious to "find" pieces of the full standard weight, when they had debts to PAY, or purchases to make? Is it not more probable that they would rather be careful to *pay with pieces of only eleven penny-weights*? Especially as they must know, by their foreign business, that the actual difference, between the former and the latter pieces, would be £8 : 6 : 8 per cent.!

Suppose that coins of full weight get into the hands of Jews or goldsmiths, who value gold and silver by weight alone, and calculate by grains; are the dictates of conscience so imperious as to prevent the use of convenient tools for reducing those pieces to the lowest weight legally current, while the King permits the coins, so reduced in weight, to bear the same nominal value which they bore when issued from the Mint? Is it not presumable that some of those persons would satisfy their consciences, by arguing, from the

*legality of the reduced pieces as a tender in payment, that, so long as the action of reducing escaped detection, they were merely pursuing the ends of business, by availing themselves of secret opportunities to grow rich by "artful industry?" And is it not probable that all of them would take care never to pay away any pieces, that exceeded the lowest weight allowed to be current?*

If merchants trading abroad found it expedient to import bullion, is it likely that they would carry that bullion to the Mint to be coined into standard pieces, when by selling it to a Jew or goldsmith, they could instantly obtain money for their purposes, and have a better price than the Mint allowance? And cannot the Jew or goldsmith afford to pay *three or four per cent. more than the Mint price*, when he pays in pieces, which have been reduced, *eight or ten per cent. below the Mint weight?*

It is true, that the difference between the standard weight of the present gold coins of the English Mint, and the lowest weight allowed to be "*legal tender*," is only *about one and a quarter per cent.* But as the essential practice of weigh-

ing has long been discontinued, and as other measures have been authorised by the legislature, the dealers in bullion have now a larger profit than any that I have yet mentioned.

“The money of any particular country” says Dr. Adam Smith\*, “is, at any particular time and place, more or less an accurate measure of value, according as the current coin is more or less exactly agreeable to its standard, or contains more or less exactly the precise quantity of pure gold, or pure silver, which it ought to contain:” and, “*as it rarely happens that the pieces are exactly agreeable to their standard, the merchant adjusts the price of his goods, as well as he can, NOT to what those pieces OUGHT TO BE, BUT TO WHAT upon an average, HE FINDS BY EXPERIENCE, THEY ACTUALLY ARE.*”

“GOLD,” says Mr. Thornton†, “*may be considered in the same light with all other commodities: it is, in point of fact, like them, used by our MERCHANTS, accordingly, as the EXPORT or IMPORT is likely to yield a PROFIT.*”

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\* Wealth of Nations, Vol. I. p. 69.

† Enquiry into the Nature of Paper Credit, p. 121.

Now, if gold is like all other commodities, and merchants adjust the prices of their commodities not to what the money ought to be, but to what, upon an average, they find by experience, it actually is, it follows that, when the coins of the kingdom are deficient in weight, and nevertheless, are current according to the nominal value declared by the sovereign, the merchants must adjust the price of their GOLD not to what the coins ought to be, but to what, upon an average they find by experience they actually are—either *an ALLOWANCE must be made to the merchants for the number of grains which the coins are below the standard*; which would enable them to sell gold at the Mint-price; or *an ADDITION must be made to the MINT-PRICE in proportion to the deficiency of the coin*; which, in that case, would appear like an increase of the market-price; whereas, in point of fact, it would only mark the *RATE of Exchange*, with dealers in bullion: because the COINS not only measure the value of the BULLION, but are given in exchange for it, as of EQUAL value—but this they are only by their QUANTITY\*. The nominal value of money is

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\* See, LOCKE on Raising the Value of Money.

consequently the measure of property only in name, and not in fact. Since it serves the merchant merely to express in the name of the coins, the quantity of the precious metal which he demands for his commodity.

“ It is not necessary that bullion be bought with shillings, no stipulation of price is ever made farther than at so many pence sterling per ounce. Does not this virtually determine the value of our currency with regard to all the currencies of Europe? Did a Spaniard, a Frenchman, or a Dutchman know the exact quantity of bullion that can be bought in the London market for a pound sterling, would he inform himself any farther, as to the value of that money unit? Would he not understand the value of it far better from that circumstance, than by the course of Exchange with foreign countries? Since” *external* “ Exchange does not mark the intrinsic value of money; but only the value of that money transferred from one State to another\*,” where the coins of each must be compared, and all the attendant charges of carriage, insurance, agency,

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\* Encyclopædia Britannica, Article, MONEY.

taken into the account. This brings me to the second proposition taken from the noble Earl's Letter.

His Lordship admits that "*in Exchanges with foreign countries, and in payments made to them, the intrinsic value of the metal, of which the coin is made, is the only measure of property and commerce.*"

I should be glad to know *what difference* there is between making payments to merchants in foreign countries, and to foreign merchants in our own country? If FOREIGN merchants be in the English-market, I presume, that they must value English-money according to its INTRINSIC worth? And if the FOREIGNER do so; why not the English merchant? Do not the British merchants import goods from foreign parts? Must they not pay for them there? And how can they pay for them, but by taking, in the market where they sell, a price according to the intrinsic value of the currency of that market; so as to raise a QUANTITY of bullion EQUAL to the QUANTITY paid, or to be paid, including every kind of charge upon their goods, as well as a surplus for profit?

The extracts made in this Letter from Mr. Hume's history, are, I believe, sufficient to prove that the foreign commerce of England was, not only opened, but, conducted for centuries, by the *merchants of the Low Countries*—from the charter of Henry III. to the suspension of their trade by the wisdom and energy of Elizabeth's government. Those merchants must have had a golden harvest in the commercial ignorance of our ancestors—and they were frequently assisted in their schemes by the erroneous bounty of the sovereign; who thereby enabled them to impose on the unsuspecting confidence of the people.

It is obvious that foreign merchants traded in England for the sake of selling their foreign productions at as much advantage as possible; and of purchasing, in lieu thereof, English commodities at such a price, as might afford a power to sell in foreign markets, with a moral certainty of considerable profit.

I have already stated that, *the precious metals are, at once, the media, and the objects of mercantile traffic*; and Dr. Adam Smith\* says, “the mer-

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\* Wealth of Nations, Vol. I. p. 55.

chant, who carries goods from one country to another, has nothing to consider but the money price ; or *the difference between the QUANTITY of SILVER for which he BUYS them, and THAT for which he is likely to SELL them.*" Consequently, in making his *purchases*, the merchant endeavors to obtain commodities for the *smallest quantity* of gold, or silver ; but when *selling*, he endeavors to obtain the *greatest quantity* of gold, or silver, that circumstances will allow. For these reasons, if merchants can engage the ears of princes, they are apt to embrace opportunities of insinuating that *KINGS, by their royal prerogative, may affix what NOMINAL VALUE they please to the COINS of their dominions ; and that SUBJECTS are bound by their allegiance to receive them in payment, according to the value made known by proclamation.* If pecuniary difficulties press upon the state, and ministers are embarrassed by the wants of the public service—are afraid of imposing new taxes upon the people—are reduced to the necessity of borrowing from the merchants—such moments are not to be lost. Merchants may then declaim on the *scarcity* of money ;—*on the artifices of FOREIGNERS in draining the kingdom of its valuable coin* :—then, while enquiring the magnitude

of the requisite LOAN, they may venture to lament, that *commerce is fettered*; and that many will be ruined; *if measures be not taken—to PREVENT the interruption of trade, and the EXPORTATION of coin—to COUNTERACT the temptations of unfavorable exchanges, and the nefarious traffic of those who MELT the current money, and secretly convey it to foreign parts.* Then, my Lord, I should think it natural for MINISTERS *to join in the complaint—to enquire the MEANS of preventing the EXPORTATIONS of coin—of giving vigor to trade; of promoting the prosperity of the nation; and securing the good subjects of the kingdom against the machinations of all their enemies.* Merchants, in replying, should, of course, be modest, and *plead—their inability to advise in affairs of state\**—that they are poor politicians—that their information is partial; whereas ministers are informed from every quarter—and, that the embarrassments of commerce engross the thoughts of merchants.—These EVASIONS may draw suggestions from a minister—may induce him to submit propositions. And, if his ideas do not accord with their views—then the merchants may

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\* See, Minutes of Secret Committee on the Bank in 1797.

recollect what they have heard suggested by *other* persons—or, may give it to be understood, that *a person* (not visibly connected with themselves) has said, “ *he knows how the difficulties might be removed ; yet, he will not speak out : but ministers, no doubt, if he were sent for, might get the matter from him :* ”—that, as to the melting and EXPORTATION OF COIN, perhaps the ONLY effectual method of suppressing that alarming evil, would be RAISING the NOMINAL VALUE of the COIN above the MARKET-PRICE of BULLION ; so as to render MELTING, or the SALE of coin abroad, an unprofitable business \*. In such an extraordinary case as the drains of cash in 1797, if MINISTERS would take a HINT, and send for the person alluded to, (as above,) that person might suggest that “ GOLD is not absolutely necessary for the internal commerce of a kingdom—that PAPER might do quite as well—that CASH might be effectually secured for the exigencies of the state, if a RESTRICTION were put upon the issues from the public Banks—that TRADE would suffer no inconvenience from such a measure ; provided INSTRUCTIONS WERE GIVEN TO THE

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\* See, Minutes of Evidence taken by the Exchange Committee, from Mr. Colville, Mr. Frank, and Mr. D'Olier,

OFFICERS OF GOVERNMENT; DIRECTING THEM TO RECEIVE THE NATIONAL BANK NOTES IN DISCHARGE OF THE CUSTOMS AND EXCISE DUTIES, AND IN PAYMENT OF ALL TAXES AND IMPOSITIONS"—that IT IS PAPER\*, *and not cash*, THAT MERCHANTS FEEL THE WANT OF—that, however, "CASH *might easily be drawn from private hoards, if the rate of interest on some of the securities of Government were increased a little above the legal rate—as such a temptation would be irresistible with many wealthy misers.*"—By these, or similar insinuations, MINISTERS *have heretofore been thrown off their guard*—have been induced to seek for *temporary relief*, by grasping at shadows, and neglecting the substance—to exert all their influence in supporting (under a notion of public benefit) measures that have entailed the most deplorable grievances on their unfortunate countrymen. Nevertheless, *some of these insinuations are PARTLY founded in truth*; and demand more serious investigation, than your Lordship can immediately afford them: especially as they will recur in papers of another period.

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\* See, Minutes of Secret Committee on the Bank, 1797, p. 137.

“ It may be laid down as a general truth,” says Mr. Thornton, “ that the commercial exports and imports of a state (that is to say, the exported and imported commodities, for which one country receives an equivalent from another) *naturally* proportion themselves in some degree to each other: and that therefore the *balance of trade* (by which is meant the difference between the commercial exports and imports) cannot continue for a very long time to be either highly favorable or highly unfavorable to a country. For, *that BALANCE must be paid in BULLION, or else constitute a debt.\**” To this position I most willingly subscribe: and the dealers in Exchange, and dealers in BULLION keep it always in their memory: consequently they are uniformly attentive to the general state of commerce, and to the varying course of national occurrences.

In former times most of the great commercial men dealt occasionally both in Exchange, and in bullion: but the commerce in bullion was generally considered as the peculiar business of Jews and goldsmiths; who had always money at

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\* Thornton's Enquiry, p. 116.

command ; and with whom the merchants were in the habit of dealing in the manner detailed in the beginning of this Letter. A mature consideration of the example there given\*, will shew what Mr. Thornton meant, by saying “ *the exports and imports of a state NATURALLY proportion themselves to each other ;*” and why it is that “ *the BALANCE of trade cannot continue long either favorable, or unfavorable to any country.*”

The BALANCE, whether in favor of, or against, any state, *must be the AGGREGATE of the balances of ALL ACCOUNTS of all the individuals trading with that state.* But as each of those individuals pursues his separate traffic, for the sake of private emolument, (leaving the general interests of the state to the special care of the Government) it follows that the aggregate balance never can be very considerable: the merchants being all of them naturally anxious to settle their balances by a timely export or import of such commodities as promise, according to existing circumstances, the greatest proportion of profit.

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\* See, page 88, &c.

With respect to the precious metals, it is truly said by Mr. Thornton \* that “*BULLION, in point of fact, is used by MERCHANTS merely as the export or import is likely to yield a profit.*” No man employs it for any other purpose. At least, I cannot imagine a case, where bullion is employed, except in consideration of its affording a prospect of benefit; or, of protection from possible injury: and in either of those views, I think, it is obviously used for gain.

I have already shewn† that gold and silver can *not* be imported or exported, *without incurring certain charges*; which the invention of Bills of Exchange was originally meant to *reduce or avoid*. And it is self-evident that *the degree of confidence which was necessary to create faith in PAPER, as a temporary substitute for CURRENCY, could have arisen only from an opinion of great wealth and integrity in those who issued Bills of Exchange*. Merchants of the first eminence had therefore decisive advantages: and, in applying to them, the inferior mercantile classes often obtained essential conveniences. The sources of those conveniences are,

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\* Page 121 of his Enquiry.

† See, page 93, &c.

I presume, sufficiently detailed in the origin and progress of Bills, and of the System of Exchange\*.

There is, however, another advantage possessed by dealers in Exchange ; which has not yet been mentioned ; but which will now come opportunely under consideration.

I concluded my narrative of the origin of the Exchange system, by shewing the profitable union and co-operation of A. in London, and B. in Hamburgh† : but, I should have added that, *eminent dealers in Exchange are often, and generally, employed in the place of their residence, both by those who want to REMIT money TO, and by those who want to DRAW money FROM, any foreign place : and that merchants of subordinate rank (having few applications made to themselves for Bills of Exchange) frequently find it eligible to draw for money due to them abroad, through the agency of the superior dealers in Exchange : who in such cases become the instruments for BALANCING most of the accounts between different persons in distant places. The manner of those transactions must depend, of*

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\* See, pages 95 to 105.

† See, pages 103—4.

course, upon the reputation of the several parties concerned. *If they were in good repute, A. would sometimes supply them immediately with currency;* on being allowed an adequate commission upon the amount of their drafts. But if their credit was doubtful, he would only compute the value, according to his regular rule of Exchange, and then give written acknowledgements and promises to be accountable, on obtaining intimation of the punctual discharge of the bills. When that intelligence arrived he would pay the computed value in English currency. By these *agencies* the Exchange-system became a source of *double profit*: as may be thus exemplified. If E. a merchant wanted to DRAW £500 from *Hamburgh*, he delivered to A. a bill for nearly that amount in *Hamburgh* money; and making an allowance of the usual commission, obtained the value in English currency.

F. another merchant, wanting to REMIT £500, went also to A. and purchased his draft upon B. of *Hamburgh*, in the usual course. Now, (admitting the scale of commission assumed in pages 98, and 99.) if A. was allowed, both by E. and by F. his charges of two per cent. on the sum of each bill,

it is plain that *he received, in fact, an allowance of £20. for the trouble of merely calculating and making two entries in his books:* at least, it will be plain, if we suppose the merchants E. and F. to have had their separate transactions with A. on the *same* day. And if those transactions took place on different days, the effect would be nearly the same, in a well-established business. In the present case, *the bill BOUGHT of E. BALANCED the bill SOLD to F. and the former bill, having been sent by A. to B. provided the sum necessary to pay the latter.*

I do not pretend to accuracy in stating the quantum of commission allowed in the course of Exchange with Hamburgh: for the charges on Hamburgh bills are so blended in the Exchange-rate, as not to be distinctly visible to persons unacquainted with the varying answers to certain questions, which continually occur in the business of Exchange. Every skilful dealer in Exchange pays constant attention *to the par-rates of the mint-money of different states;—to the ACTUAL par-rates of the mint-money and of the currencies,* as they vary by wearing, clipping, or counterfeiting; *and to the par-rates deducible from the*

*selling prices of BULLION in the respective markets. These par-rates are severally referred to, when occasions require: and, by one invariable rule, the dealers are always particularly careful to secure their own profits on every transaction.*

*To ascertain the PAR-RATES of the MINT-MONEY of different states, it is necessary to know the proportions of PURE METAL and of ALLOY, contained in a given weight of the standard coins of each mint. The proportion of alloy, being deemed of NO VALUE, must be deducted from the given weight: the remainder will, consequently, be pure metal: and that QUANTITY of pure metal is the INTRINSIC VALUE of the COINS.*

*This INTRINSIC VALUE will be differently expressed by the merchants of different states: because the value cannot be computed without referring to a MEASURE: and therefore the expression of that value must necessarily include the measure by which it was computed.*

*Almost every state has, apparently, a measure of value peculiar to itself. Consequently, each of the merchants naturally refers to the measure of his*

*own country.* Nevertheless, in adverting to the early periods of commercial history, good reasons may be found for supposing that, at least, the standard metal of the mints, in the great trading cities and towns of Europe, was generally the same: although material differences prevailed in the scale and denominations of their several coins. But this latter point will be discussed in another paper.

The positions, with which Mr. LOCKE began his “Further Considerations concerning raising the Value of Money,” so exactly convey my ideas of the *measure of value*, that, I think, I cannot do wrong in transcribing them here.

“SILVER is the instrument and measure of commerce in all the civilized and trading parts of the world. It is the INSTRUMENT of commerce by its INTRINSIC VALUE: and it is the MEASURE of commerce by its QUANTITY: and its QUANTITY is the measure of its INTRINSIC VALUE. Hence it is evident that an equal quantity of silver is always equal in value to an equal quantity of silver.”

“Here it will be asked, is not some silver finer than other?” He answers, “One mass of

*mixed metal not discerned by the eye to be any thing but silver, and therefore called silver, may have a LESS mixture of BASER metal in it, than another ; and so in common speech is said to be FINER SILVER. But the truth is the SILVER that is in EACH is EQUALLY fine: as will appear when the baser metal is separate from it: and it is of this PURE or FINE SILVER, I must be understood, when I mention SILVER: NOT REGARDING THE COPPER, OR lead, which may chance to be MIXED with it. For example: Take an ounce of SILVER, and one fourth of an ounce of COPPER, and melt them together. One may say of the whole mass that it is NOT fine silver: But, it is true that, there is AN OUNCE of fine silver in it: and though this MASS, weighing one ounce and a quarter, be NOT EQUAL in value to one ounce and a quarter of FINE silver: yet the ounce of fine silver IN IT, is, when separate from the copper, equal in value to any other ounce of silver.*

Thus we learn from Mr. LOCKE, that the COPPER, or ALLOY is not to be regarded; and I say, that it is deemed of NO VALUE. Consequently, the MASS of ONE OUNCE AND A QUARTER cannot be MORE than EQUAL to ONE OUNCE of PURE SILVER.

Now, my Lord, allow me to suppose the *ounce of pure silver to have been COINED into FIVE pieces of money; each weighing FOUR penny-weights: which pieces we may call SHILLINGS:—and that each of those shillings was subdivided into twelve parts, called PENCE; and, moreover, that TWENTY of those shillings were equal to an imaginary money unit called a POUND sterling.*

Let me also suppose, the above-mentioned *MASS of, one ounce and a quarter, silver and copper, to have been also coined into pieces of FOUR penny-weights each, and that those pieces were called INTEGERS: and that each of those integers was subdivided into twelve parts called TWELFTHS.*

If we further suppose these *latter pieces to have been the standard mint-money of Hamburgh; and the former pieces to have been the mint-money of London; your Lordship will have the following equations:*

|                           |           |                        |
|---------------------------|-----------|------------------------|
| 12 pence .....            | } equal { | 1 shilling,            |
| 5 shillings .....         |           | 1 ounce of silver,     |
| 20 shillings .....        |           | 1 pound sterling,      |
| 12 twelfths .....         |           | 1 integer of Hamburgh, |
| 6 integers and 3 twelfths |           | 1 ounce of silver,     |
| 25 integers .....         |           | 1 pound sterling,      |

These equations give the *par-rates* of Exchange upon the several denominations of money here mentioned : supposing them to be the coins of the respective mints:—and it appears that one pound sterling, in this table, is equal to 25 integers, and therefore £500 sterling, must, at par, be equal to 12,500 integers.

Having stated two transactions by *Bills of Exchange* between A. of London, and E. and F\*. the merchants who applied to him for accommodation in reverse operations ; I beg leave to assimilate those transactions to the manner of modern dealers in Exchange.

I have already hinted that the quantum of commission upon transactions with Hamburgh is so disguised in the rate of Exchange ; that none but the skilful can ascertain the fact : although the charges are sometimes exorbitant.

It is therefore necessary to premise that *there are almost invariably TWO, and sometimes THREE, rates of Exchange, working in the market at the SAME TIME, between the SAME PLACES.*

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\* See, page 149.

The *first* is the reputed *par-rate* ; which is seldom the rate of Exchange ; *except* among merchants of equal skill ; or, *when the parties happen to know that the accommodation is equal* ; and that *therefore neither of them is entitled to commission*. For example : If E. and F. had met at the door of A. and communicated to each other what accommodation they were about to ask from A. it would have been instantly obvious to them that they could of themselves supply each others wants : and, feeling mutual confidence might naturally say, “ *Let us interchange our money and bill ; and thus avoid the commission that we must allow to A. if we get our business done in his office.* ” E. therefore might make a draft in favor of F. for 12,500 integers, in return for his £500—thus making *an exchange at PAR*.

But we are to assume, that E. drew a bill upon Hamburgh for 12,500 integers, and negotiated that bill with A. who gave the value in English currency, on having an allowance of the usual commission.

By the modern practice, when a dealer in Exchange becomes the agent of money transactions

with any foreign place, he varies the rate of Exchange according to the existing circumstances of the case. If he negotiates a bill brought to him for that purpose, he *adds* to the par-rate enough to clear an adequate compensation: and if he is requested to *remit* any sum (that is, to give his own draft for it) he *deducts* from the par-rate enough to leave him a sufficient profit on the transaction.

E. drawing a bill on Hamburgh for 12,500 integers, and requesting its value in English currency, A. would not say "my commission will be two per cent." but, "the course of Exchange is *twenty-FIVE and a half*," or  $25\frac{1}{2}$ —that is 25 integers 6 twelfths for every pound sterling. The half integer is *added* to cover the commission: the value of 12 500 integers, at  $25\frac{1}{2}$ , being only £490 $\frac{10}{11}$  sterling, instead of £500, the value at par.

F. wishing to remit £500, delivered that sum to A. requesting his draft on Hamburgh accordingly. In this case the half integer is *deducted*, and the Exchange-rate becomes *twenty-FOUR and a half*: A. therefore draws upon B. for only

12,250 integers; being 250 less than the value at par. The difference of 250 integers is equal to £10 sterling: so that A. secures his *commission* in this mode, as effectually as if it were a separate item in each calculation.

Here then are *three different results*, the consequences of *three different rates* upon *three transactions fundamentally the same*; and varying only in the persons and circumstances. And THESE ARE REGULAR: on the assumption that the money of both places was according to the standards of the mints. But “it rarely happens that the pieces are exactly agreeable to their standard;” therefore the dealer in Exchange must attend to the *actual\** state of the currency; and compute—NOT by what the coins OUGHT TO BE, but—by what upon an average he finds by experience they ACTUALLY ARE.

If upon examination it be found that, instead of *five shillings weighing an ounce* of silver, the shillings are so worn, or clipt, that upon an average *six shillings weigh only an ounce*; then it is admitted † that “in Exchanges with foreign

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\* See, page 136.

† See, page 132.

*countries, and in payments made to them, the INTRINSIC VALUE of the metal of which the coin is made is the ONLY measure" of value. Consequently the dealer in Exchange must value the SILVER, which, by his bill, he undertakes to PAY, according to the ACTUAL value of the money that he receives for that bill. For, although it be notorious that the coins have been unlawfully diminished, yet, by the law\*, if they are not cut in pieces, and any person were to PAY or RECEIVE them at or for a lower rate or value than the same by their DENOMINATIONS IMPORT, or were coined or counterfeited for; such person would be GUILTY of FELONY, and might suffer DEATH as in case of felony. Therefore the DEALER, (being paid in coins, which he must receive NOMINALLY as SHILLINGS; notwithstanding upon an average they are INTRINSICALLY worth only TEN-pence,) values the silver, which he undertakes to pay, at SIX shillings an ounce:—and this he does upon the principles, which are the basis of the several equations in the table of coins, (imagined, in page 154, for the MINT-MONEY of LONDON and HAMBURGH:)—that is, the value of an ounce of silver must be ex-*

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\* 8 & 9 W. c. 26.

pressed in the *denominations of the measure with which it is compared* ; or to which it is referred.

THE TABLE SAYS, that FIVE *shillings equal one ounce of silver*. But, I have already mentioned that, *the table expresses the PAR of the mint-money of FULL WEIGHT* :—and my supposition\* was that the ounce of pure silver had been coined into five shillings, of four penny-weights each : which in QUANTITY were equal to the ounce : and therefore the denominations of the pieces were, in that instance, absolutely necessary to convey to a FOREIGNER a correct idea of the VALUE, either of the ounce of silver, or of the five shillings. The TABLE is, in fact, a collection of DEFINITIONS. And a definition, your Lordship knows, should be “reciprocal with the thing defined†.” Consequently, when an OUNCE of silver could no longer be used in any sentence in the place of FIVE SHILLINGS ; or, five shillings in the place of an ounce of silver ; a new table was become necessary. MERCHANTS, therefore, made new tables for themselves. Because commercial prosperity depends upon a right understanding of the VALUE of things : and ERRORS in JUDG-

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\* See, page 154.

† Watts's Logic, c. vi. s. 5.

MENT would be ruinous to the fortunes of trading individuals: as ERRORS in LEGISLATION have been ruinous to the ESTATES of the CROWN; and to the REVENUE of the BRITISH EMPIRE.

When the coins have been so reduced, that six shillings weigh only one ounce, the proper expressions of the table (supposing the coin of Ham-  
burgh to accord with the imaginary mint-money,) will be as follow:

|                             |           |                      |
|-----------------------------|-----------|----------------------|
| 12 pence .....              | } equal { | 1 shilling,          |
| 6 shillings .....           |           | 1 ounce of silver,   |
| 20 shillings .....          |           | 1 pound sterling,    |
| 12 twelfths .....           |           | 1 integer of Hamoro, |
| 6 integers and 3 twelfths   |           | 1 ounce of silver,   |
| 20 integers and 10 twelfths |           | 1 pound sterling,    |

Here, your Lordship will observe that, by the alteration in the actual value of the London-money, ONE POUND sterling becomes equal to only twenty integers and ten twelfths: whereas, in the other table (page 154) the pound sterling of the mint is equal to twenty-five integers. Consequently the PAR of Exchange with Hamburgh on this table, is  $20\frac{5}{6}$ , or 20-10; and therefore £500 of this reduced money of London would produce, at the ACTUAL par-rate, only 10,416 $\frac{2}{3}$  integers. This

sum, being  $2,083\frac{1}{3}$  integers *less* than the computed equivalent (on the *par* of the imaginary mint-money in the first table,) might lead an *unskilful* person to pronounce that *the difference was LOST by the Exchange being AGAINST London*. But the *skilful dealer* knows that the calculation is honestly made upon the *real par* of the *London currency*; according to its supposed *degradation below the imaginary standard of the first table*.

I must now request your Lordship to indulge me with another supposition. Let it be assumed that F. had been for some time a *resident* in *Hamburgh*; and that, finding it expedient to visit *London*, he *borrowed* 12,500 integers of his friend in *Hamburgh*; who kindly gave him in lieu of it a bill upon *London* for £500 sterling: being at the *PAR of the imaginary MINT-MONEY*. This *DEBT*, having been contracted in *Hamburgh*, is payable in *Hamburgh money*:—and F. being in a capacity to discharge it, takes £500 to A. on a natural presumption that it will produce him *nearly*, if not quite, the *QUANTITY of Hamburgh money*, which he originally paid in *Hamburgh* for the same sum. He acquaints A. that he owes 12,500 integers, and wants a bill upon *Hamburgh* for the

*amount.* What must he pay for 12,500 integers? The *actual par-rate* on the reduced money is 20 integers and 10 twelfths for a pound sterling. But A. *must have his commission*: therefore the *course of Exchange* is  $20\frac{1}{3}$ —and 12,500 integers at  $20\frac{1}{3}$  cost £614 $\frac{4}{11}$  sterling! So that F. loses £114 $\frac{4}{11}$  in paying off a DEBT of £500!!

In the last table six shillings equal one ounce of SILVER: therefore one ounce of silver equals six shillings: and, in that state of the currency, the price of silver bullion is six shillings an ounce. But the market-price of silver bullion does not always accord with the actual state of the currency; or, rather the price published in the market does not always agree with the intrinsic value of the currency. The market price of BULLION is, therefore, a MERCANTILE SIGNAL: and all the skilful merchants observe that signal in all their operations. The great BULLION-MERCHANTS are, consequently, the ARBITERS of prices;—the GOVERNORS of Exchange;—and the REGULATORS of commerce. During a foreign war, they have, under the existing laws, a more absolute POWER over the NOMINAL PRICES of all commodities, than the EXECUTIVE GOVERNMENT pos-

*sesses over the TAXES, legally imposed by the due course of the BRITISH CONSTITUTION!!*

This position will probably seem *incredible*. But, as my reputation depends upon my veracity; and as an attempt to impose upon your Lordship is as far from my thoughts as treason against the state, I hope for that patient *examination*, which is due to *a proposition equal in importance to any that ever was submitted to the consideration of the KING's ministers*. I do not ask RELIANCE upon my THEORY; but that my OPINIONS may be *thoroughly sifted*;—that they may undergo the most rigid ENQUIRY;—that men better qualified than myself, may be actively employed in removing the veil, which has concealed imposition for more than five hundred years;—and that invincible TRUTH may appear, if possible, in the splendor of the meridian sun:—giving light to the world;—joy to the heart of our beloved monarch;—happiness to every honest subject;—and a permanent blessing to all the king's dominions. These are objects worthy of your Lordship's indefatigable zeal in the service of your country: and the attainment of these, will confound the enemies of British freedom—will add to the glory of His

Majesty's reign—and secure the British Isles for the envy and admiration of future generations.

I repeat, that *the great BULLION MERCHANTS are the ARBITERS of prices ; the GOVERNORS of Exchange ; and the REGULATORS of commerce : and that, during a foreign war, they have a more absolute power over the nominal prices of all commodities, than the executive government possesses over the TAXES legally imposed by the due course of the British constitution.* But in verifying these positions, I shall now treat them rather *generally* ; reserving a more extensive detail, and particular demonstrations, for my next Letter.

It is necessary to impress on the mind, that *the precious metals are the INSTRUMENTS and the objects of mercantile traffic : and that profits, or gains, are computed by the actual DIFFERENCE between the QUANTITIES PAID, and the QUANTITIES RECEIVED.* Dr. Adam Smith's position\* applies, also, as well to BULLION as to every other commodity: “ *The merchant has nothing to consider but the difference between the quantity of*

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\* See, page 141 herein.

*silver for which he buys, and that for which he is likely to sell."* However its application to bullion is, perhaps, not so obvious, as to other articles; I therefore presume to submit a few observations.

"BULLION," says Mr. Thornton\*, "*is used by our merchants, accordingly as the export, or import, is likely to yield a profit.*" But I should say, *merchants use bullion, only when it is likely to yield a GREATER PROFIT than any other commodity.* The business of merchants is, in fact, a continual *bartering* of one commodity for another: and he, who thoroughly understands his business, computes, with accuracy, every description of charges that he incurs, between the place where his commodities were purchased, and the place abroad where they are to be sold: and the total of these charges, including the original purchase money, constitutes the aggregate cost of his goods. To this sum he adds a compensation for his own time and trouble; and as much more for *profit* as he can get in his sales. Whatsoever foreign money he receives in exchange for his own commodities, is denominated bullion; and its value is

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\* Enquiry. p. 121.

computed by referring to the measure of his own country. To facilitate the comparison, or computation, skilful merchants are not only provided with TABLES\*, *shewing the relative value of the coins of different places; but they have also* LISTS *of all the principal mercantile commodities, and the selling prices, periodically written against them, according to the variations of the respective markets.* In Hamburgh there is, I think, a paper regularly published called the “Preis courant;” and similar papers are, I believe, generally provided by the London merchants, and sent to their correspondents abroad. By the aid of those papers,

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\* Lord Liverpool mentions, in his “Letter to the King,” (p. 213, &c.) that there was formerly in this kingdom an officer under the crown, who was called “*The KING’S EXCHANGER.*” He “appears not only to have exchanged the coins of different metals made at the royal mint; but, as the exportation of the coins of the realm was prohibited, he furnished persons, going out of the kingdom, with foreign coins in exchange for English coins: and he furnished merchants, strangers coming into the kingdom, with the English coins in exchange for foreign coins. This officer had his deputies in many of the out-ports, and principal cities of the kingdom; and a considerable profit was made by this practice: of which the King is said to have had his share.—*When this officer exchanged FOREIGN coins for ENGLISH, or English for foreign, the Exchange was regulated by a TABLE hung up in each of his offices.* The last person that was appointed to this office was

*which contain the PRICE of BULLION and the COURSE of EXCHANGE, they are enabled to determine what commodities are likely to be most profitable : and those of greatest promise are naturally preferred. A British merchant may exchange his commodities abroad several times before he returns to England. But, as the sum of his gains is the difference of all his transactions, his profits cannot be accurately computed till that final act of barter, which repossesses him of the currency of his own country. He may have sold, in Hamburgh, his cargo of British goods: but the success of his voyage is not determined thereby. He must exchange his Hamburgh money for a*

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the Earl of Holland, in the third year of Charles I. The appointment of a person of so high rank, and, who was at the same time, a favorite of his royal master, is a decisive proof, that the office was of considerable profit, as well as of importance." His Lordship says, he "thought it right to state the nature of this office, that His Majesty might be fully informed of the practice which formerly prevailed in this respect: but *certainly not as an example to be followed at PRESENT.*"

I will take leave to add, that it is not possible to devise an office of greater BENEFIT to the kingdom; if filled by a person skilful in the subject, and who would HONESTLY discharge the important duties of his station:—neither can an office be imagined wherein the KING and the public could be more INJURED; if occupied by an unskilful EXCHANGER.—But this office will be reconsidered according to its importance.

commodity saleable in the British markets: and, in chusing that commodity, he will be governed by a comparison of the *Hamburgh Preis courant* with the *selling prices* of London: of which he will probably have information almost every post. *At any rate, bullion will be the last commodity that he will think of taking home: because when the market-price of bullion in England, much exceeds the mint-price, there is either a scarcity of CORN in the British dominions; or Great Britain has an ARMY in pay, or is subsidizing allies, on the continent of Europe: and then Bills of Exchange, drawn by English agents, may be bought in Hamburgh, on terms that sometimes yield a profit of more than TWENTY per cent. in the difference of the EXCHANGE alone!* British merchants at such times make extraordinary exertions: and those who have the good fortune to be agents of Government, whether in purchasing CORN, or in conveying SUBSIDIES, or supplies to the ARMY—and more especially the dealers in BULLION—evinced an admirable zeal for the ENFORCEMENT of the LAW; which PROHIBITS the EXPORTATION of BRITISH COINS! It is mere justice to the dealers in Exchange, and dealers in bullion, to say, that I verily believe there are not, in this kingdom, many bullion merchants,

or exchange-merchants, who, in moments of such necessity, would willingly suffer any one to *melt*, or *export* the coins of this realm—excepting, perhaps, themselves\* and their partners.

BULLION is the last commodity that a British merchant thinks of importing. Because, when there is no external want of money, for the purchase of corn,—for the subsidies of allies,—or, for the supply of armies on foreign stations,—the unrivalled excellence of British manufactures, and the extensive scale of British commerce inevitably occasions a considerable BALANCE OF TRADE in favor of Great Britain.

“\* THAT BALANCE MUST BE PAID IN BULLION, OR ELSE CONSTITUTE A DEBT.” And “there is a customary length of credit in foreign parts, which the British exporter, however overflowing his capital may be, is not very willing to enlarge. For, events fail not occasionally to arise, which remind him of the danger of committing too great a portion of his property into the hands of those, who are not subject to the same laws with himself; and whose country may suddenly be involved, at any mo-

\* See, pages 95 to 105 herein.

† Thornton's Enquiry, p. 116, and p. 145 herein.

ment, in a war with Great Britain." This consideration operates constantly upon the mind of every well-informed merchant; and begets in him a natural desire to EQUALIZE his foreign accounts; without an abandonment of his trade, or offensively suspecting the honor of his correspondents. To this natural feeling the dealers in Exchange and dealers in bullion are also awake: yet the nature of their business gives them advantages which other merchants do not possess: and these advantages are cultivated, for the augmentation of their profits, according to the universal policy of commerce. Merchants, on some occasions, cannot avoid the IMPORTATION of BULLION; unless we suppose them capable of forsaking the common principles of self defence. It follows therefore, when neither scarcity of CORN, nor foreign WAR demand supplies of bullion, that the IMPORTERS of bullion must be, in a degree, at the mercy of the BULLION-MERCHANTS (whether Jews or christians) who, availing themselves of their POWER, depress the market-prices as low as possible. In some states, indeed, the merchants have prevailed on the governments to allow the circulation of foreign currency; but such governments accommodated the merchants at the expence of the people, and of the public

revenue. Such ERRORS *have been committed in ENGLAND*: but, latterly no coins have been *legally* allowed to circulate in this country, excepting those of the British mint. However, our *silver currency has been, for a long period either mint money fraudulently diminished, or COUNTERFEIT COINS*, which are, at the same time, *a disgrace to the nation, and one of the grossest impositions that ever was tolerated by an enlightened government*. The sources of this evil shall be fully revealed: but my present object is to shew that as foreign money is not current in this empire, the importers of foreign coin must convert it into British currency before they can apply it, either to the discharge of their debts, or to the purchase of commodities for other adventures.

It is shewn already\* that if bullion be imported, and taken to the British mint, it must be coined into money according to the value set upon standard metal by the authority of the crown: that is, standard silver at five shillings and two-pence an ounce, and gold at £3 : 17 : 10½ per ounce. This is perfectly understood by the great

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\* See, page 89 herein.

BULLION-MERCHANTS; who are the only persons that can purchase the numerous quantities of bullion which come to this country in return for British exportations. They know that BULLION would not be imported; if all the foreign markets could supply a commodity more eligible for sale in the markets of Great Britain. And consequently, they know that the merchants, generally, IMPORT bullion only from NECESSITY: which necessity must compel them either to SELL at the MARKET-PRICE; or to get it COINED at the MINT: where, of course, they can have only the MINT-PRICE: from which a deduction should be made equal to the INTEREST on the time LOST in waiting for the coinage. The market-price is seldom so much below the mint-price, as that interest would amount to; therefore, the merchant submits to necessity; and sells his bullion at the MARKET-PRICE rather than suffer the inconvenience of applying at the MINT.

Your Lordship will remember that the BULLION-MERCHANTS resemble every other description of merchants, who buy commodities for the purpose of making a profit by selling them again: and that the prices of bullion must, for that reason, vary, like the prices of all other commodi-

ties, according to the proportions of the supply and the demand. When there are in the market many sellers, and only few buyers, the BUYERS HAVE, in a degree, THE CONTROUL OF THE PRICES: But when there are many buyers, and only few sellers then the SELLERS have the controul of the prices. In DEPRESSING the PRICES of BULLION, the bullion-merchants cannot by any combination lower them beyond the point fixed by the King's proclamation, (which determines the value of coin) more than the amount of interest which would be lost in waiting for coinage at the mint: *Because*, in the event of any such attempt, those who IMPORTED bullion would have a REMEDY in merely taking their bullion to the MINT: from whence it would be returned in legal money of the realm; and, consequently, in a state to supply those wants which induced them to offer it for sale. Nevertheless, in some extraordinary cases, wherein the parties, did not well understand, or were inattentive to this matter, advantages have been taken to reduce the price below the equitable point:—an instance of which may be quoted, from the sale of the St. Jago prize; which the Bank of England bought, I think, at four shillings and ten-pence half-penny per ounce.

IN RAISING THE PRICES there is, unfortunately, greater latitude: and, as *this is one of the MOST IMPORTANT points of my communications*, I must intreat your Lordship's patience, while I examine Mr. Thornton's statement; which may possibly have been considered conclusive information on this difficult subject.

The kingdom is certainly much indebted to Mr. Thornton for the publication of his "*Enquiry into the Nature and Effects of the Paper Credit of Great Britain.*" That work contains many important truths: which are mixt with some errors; as might naturally be expected from the fallibility of human nature.—I have already borrowed from it expressions of opinion, as well as matters of fact, which I thought would be more weighty from the authority of Mr. Thornton's name. It may therefore be imagined that I do not wish to *invalidate* that Gentleman's testimony; but fairly to strengthen my own evidence, by shewing that I dare to question his accuracy, when I cannot subscribe to his judgment. I do this that light may be produced from the collision of our opinions; and, that your Lordship may decide, for the establishment of truth.

Mr. Thornton says\*, that “when a bill is drawn by one country on another—by Hamburgh, for instance, on London—it is *sold*, (or discounted) in the place in which it is drawn, to some person in the same place; and the *buyer*, or discounter, gives for the bill that article, whatever it may be, which forms the current payment of the spot. This article may consist either of gold or silver coin; or, of Bank paper; or, *which is much the same thing as Bank paper*, of a credit in the books of some public bank.”

“Let us now suppose the *exporter of CORN*, from Hamburgh to London, draws a bill for £100 on London, and offers it for sale on the Hamburgh Exchange, at the season *when great exportations of CORN to London are taking place*. The persons, in Hamburgh, having occasion to *BUY BILLS* are fewer, in such a case, than those who want to *SELL them*; and the *PRICE of the bill*, like that of any other article, *fluctuates*, according to the proportion subsisting between the supply and the demand. The disproportion, then, between the number of those persons at Hamburgh, who

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\* See, Enquiry, p. 122.

want to SELL *London* BILLS for *Hamburgh* COIN, and the number of those who want to SELL *Hamburgh* COIN for *London* BILLS, causes the PRICE of *London* BILLS to FALL, and of *Hamburgh* COIN to RISE. Thus GOLD is said to RISE at *Hamburgh*; and the EXCHANGE between *London* and *Hamburgh* becomes unfavorable to *London*. This fluctuation in the EXCHANGE will in the first instance be small. It will be LIMITED to that trifling sum which it costs to transport BULLION from one place to the other;—so long as there is bullion to be transported. But let us now suppose the number of *Hamburgh* bills on *London*, drawn for the payment of the goods imported into the latter place, to be so numerous, that the exportation of all the bullion which is purchaseable in Great Britain, has not sufficed for their payment! Gold coin, in this case, will be exported, being first melted down for the purpose. Coin, indeed, is not allowed to be exported from Great Britain, nor gold which has been melted down from coin; an oath being required of every exporter of gold, that the gold which he exports does not consist of guineas which have been melted. There are, however, many ways of escaping the law which imposes this oath. The law is dishonestly evaded either by

the clandestine exportation of guineas, no oath at all being taken; or, by taking a false oath; or, by contriving that the person, taking the oath, shall be, in some degree ignorant of the melting which has been practised. The operation of the law is avoided without this dishonesty, through the exportation of gold which had been turned, or had been about to be turned, to the purposes of gilded, and golden ornaments: the place of this gold being supplied by gold melted down from coin. The state of the British law" (Mr. Thornton continues) " unquestionably serves to discourage and limit, though not effectually to hinder, that exportation of guineas, which is encouraged by an unfavorable balance of trade: and, perhaps, SCARCELY LESSENS IT, *when the profit on exportation becomes very great.* The law tends, indeed, to produce a greater interchange of gold for paper at home: *but it encreases whatever evil arises from an unfavorable state of Exchange with foreign countries.*"

" Gold\* must be considered as dear, in proportion as goods, for which it is exchangeable,

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\* See Enquiry, p. 127.

are cheap ; and, as cheap in proportion as goods are dear. Any circumstance, therefore, which serves to make goods generally dear, must serve to make gold generally cheap ; and *vice versa* ; and any circumstance which serves to make goods dear at any particular time or place, must serve to make gold cheap at that time or place ; and *vice versa*."

" The reason of the DIFFERENCE between the *mint-price* and the *market-price of GOLD* does not easily occur. If the Bank, from time to time, buys gold at a high price, that is, if it gives for gold a large quantity of goods (or something convertible into a large quantity, which is the same thing) it is natural on the first view to suppose that the high price given by the Bank, which is the *principal and almost the ONLY English purchaser*, must form the current English price : and that this high current price of gold in England will prove the means both of bringing it hither, and of detaining it here : causing goods, which are cheap, to go abroad ; and gold, which is dear, to come hither ; and also to remain in the country. Undoubtedly gold would remain in England, when tempted hither by the high price given for

it by the Bank ; if it were not for the following circumstances. Gold is bought by the Bank, in order to be converted into coin ; and when turned into coin, it forms a part of the circulating medium of the country ; paper constituting another part. If, then, this paper is by any means rendered cheap ; and if the paper so rendered cheap is currently interchanged for one sort of gold, namely, for gold which has been coined, then the coined gold will partake of the cheapness of the paper : that is, it will buy, when in the shape of coin, a smaller quantity of goods, than it will purchase when in the form of bullion. In other words, an ounce of gold, coming from the mint in the shape of guineas, and making £3 : 17 : 10½ (for that is the sum into which an ounce always is coined at the mint,) will be worth *less* than the same ounce of gold was worth before it went to the mint, and less than it would again be worth if converted back into bullion. There arises, therefore, a temptation to convert back into bullion, and then to export ; or, which is the same thing, to export, and then convert back into bullion ; or, which is also the same thing, to convert back into bullion, and then sell to the Bank, at the price which would be obtained by exportation,

that gold, which the Bank had turned from bullion into coin. In proportion as the difficulty of collecting, melting, and sending abroad the gold coin, is augmented, (and it increases as the quantity of coin diminishes) the difference between the mint, and market-price of bullion will become more considerable; supposing the demand for gold in foreign countries to continue. Thus it is through the interchangeableness of gold coin with paper, that gold coin is made cheap in England; or, in other words, that goods in comparison with gold coin are made dear. The goods, which are dear, remain therefore in England; and the gold coin, which is cheap (for the Bank is indisposed to buy it, on account of the loss sustained on each coinage) goes abroad."

In commenting upon this long extract, I find that Mr. Thornton's arrangement would be rather inconvenient; I must therefore, take the liberty of making my deductions, and placing them in that order which will be most convenient to my general design; only *referring* your Lordship to the TEXT, as it appears in the pages of this Letter: from whence I deduce the following propositions:—

- I. “ *The BANK of ENGLAND is the PRINCIPAL, and almost the ONLY, English purchaser of BULLION.*” (page 179.)
- II. “ *The BANK PURCHASES are made with BANK NOTES.*” (page 179 )
- III. “ *GOLD is bought by the BANK in order to be converted into COIN.*” (page 180.)
- IV. “ *When the gold is turned into COIN, it forms a part of the circulating medium of the country : PAPER (Bank notes) constituting another part.*” (page 180.)
- V. “ *It is natural to suppose that the PRICE given for GOLD by the BANK, must form the current English price.*” (page 179.)
- VI. “ *GOLD must be considered as DEAR, in proportion as GOODS, for which it is exchangeable, are CHEAP : and CHEAP in proportion as GOODS are DEAR.*” (page 178.)
- VII. “ *If BANK PAPER is by any means rendered CHEAP, and the paper, so rendered cheap, is cur-*

rently interchanged for GOLD COIN, the COIN will partake of the CHEAPNESS of the PAPER : that is, it will BUY when in the shape of COIN a smaller quantity of GOODS, than it will purchase when in the form of BULLION. In other words, an OUNCE of gold coming from the MINT in the shape of GUINEAS (and making £3 : 17 : 10½ the sum into which an ounce is always coined at the mint) will be worth LESS than the same OUNCE of gold was worth before it went to the MINT! and LESS than it would again be worth if converted back into BULLION !” (page 180.)

VIII. “ *If the Bank, from time to time, buys gold at a high price, (that is, if it gives for gold a large quantity of goods, or something convertible into a large quantity, which is the same thing.) it is natural to suppose that this high current price of gold in England will prove the means both of bringing gold hither ; and of detaining it here :—and of causing GOODS, which are CHEAP, to go abroad.*” (page 179.)

IX. “ *If gold were bought at a HIGH PRICE, and paid for with BANK NOTES ; it follows, from the 6th and 8th propositions, that GOLD must*

*be DEAR, and BANK NOTES CHEAP; otherwise BANK NOTES cannot be denominated GOODS: and it follows, from the latter part of the 7th proposition, that though gold were DEAR, it would nevertheless, if COINED at the mint, be worth ONLY £3 : 17 : 10½ per ounce. Hence “ arises a temptation to convert the COIN into BULLION; and to sell it to the Bank, at the price which would be obtained by exportation.” (page 180.)*

X. “ *When a LOSS would be sustained on the COINAGE, the BANK is indisposed to BUY gold; therefore it goes abroad: (p. 181) being first melted down for that purpose*” (page 177.)

XI. “ *COIN is not allowed, by the British law, to be EXPORTED from Great Britain; nor gold which has been melted down from COIN: an OATH being required of the EXPORTERS that the exported gold does not consist of GUINEAS which have been melted.—However, there are many ways of evading the law which imposes this oath.*” (page 177.)

XII. “ *The LAW serves to discourage the exportation of guineas, but SCARCELY LESSENS it, when*

*the profit on exportation becomes very great."*  
(page 178.)

XIII. "*The law tends to produce a greater interchange of gold for paper at home; but it INCREASES whatever EVIL arises from an UNFAVORABLE state of EXCHANGE with foreign countries.*" (page 178.)

XIV. "*The EXCHANGE between LONDON and HAMBURGH, becomes UNFAVORABLE, when there is in Hamburgh a disproportion between the BUYERS and SELLERS of bills drawn on London.*" (page 176-7.)

XV. "*The (rate of Exchange, or) price of London bills fluctuates in Hamburgh according to the proportion subsisting between the supply and the demand.*" (page 176.)

XVI. "*The FLUCTUATION in the EXCHANGE will, in the first instance, be LIMITED to that trifling sum which it costs to TRANSPORT BULLION from one place to the other:—so long as there is bullion to be transported.*" (page 177.)

XVII. “ *When the bills drawn by Hamburgh on London, are so numerous that ALL the bullion purchaseable in Great Britain is not sufficient for the payment! gold coin will be EXPORTED, being first melted down for that purpose.*” (page 177.)

XVIII. “ *In proportion as the difficulty of collecting, melting, and sending abroad the gold coin, is augmented, the DIFFERENCE between the MINT-PRICE and MARKET-PRICE of bullion will become more considerable: supposing the demand for gold in foreign countries to continue.*” (page 181.)

XIX. “ *It is through the interchangeableness of gold coin with paper, that gold coin is made CHEAP in England; or, in other words, that GOODS, in comparison with GOLD COIN, are made DEAR. The goods, which are dear, remain therefore in England, and the gold, which is cheap, goes abroad.*” (page 181.)

Having thus arranged Mr. Thornton's opinions into nineteen distinct propositions; I shall now proceed briefly and regularly through them, till

I get to some of the most important conclusions that ever were submitted to the government of this kingdom.

We understand from the *first* proposition, that, the BANK of ENGLAND is the PRINCIPAL, *and almost the ONLY, English purchaser of BULLION:* and I mentioned (in page 173) that BULLION-MERCHANTS resemble other merchants in that they BUY *bullion for the purpose of making a PROFIT by SELLING it again.* Is not PROFIT the pursuit of the Bank of England? Your Lordship knows that *in the original contract with the CROWN, for the establishment of the Bank by CHARTER, it was stipulated, as one of the conditions of the first LOAN, to KING WILLIAM, from the subscribers to the BANK, that they should be permitted to deal in Bills of Exchange, in buying and selling bullion, and foreign gold and silver coins, &c.!* It cannot be doubted that the merchants, who claimed these privileges, knew that the advantages arising therefrom would be worthy of their care, and acceptance;—and that they would amply repay them for any accommodation, which might be thereafter requested by the government.

But the *avowed object*, of the original projectors of the Bank, was (according to Dr. Smollett) *to circulate bills*, or NOTES, on the credit of their capital: and the loan of £1,200,000 to the King was to be advanced partly in *coin*, and partly in the *circulating notes of the Bank*. Only £720,000 was called by the Bank directors from the subscribers to the Bank capital. Yet this sum enabled them to complete their contract for the loan; with *the aid of their circulating notes*:—with which they also carried on their traffic in Bills of Exchange, in bullion and foreign coin, &c.: and this accords with the *second* proposition; as applying to their dealings of the present day.

In the *third*, Mr. Thornton says, “GOLD is *bought by the BANK in order to be converted into COIN.*” Here I cannot agree with that gentleman. For (although, by laws made subsequent to the original charter, the Bank was bound to pay its notes in gold) I cannot easily be persuaded that *the Bank BUYS gold in order to its being converted into coin.* Certainly that has not been the case since the RESTRICTION of February, 1797. Prior to that time the conversion of bullion into coin was a CONTINGENCY to which the Bank was exposed: but

*which the Directors regarded from necessity, more than from choice. Because, in the event of COINING, they parted with bullion at the price of the MINT: which, your Lordship may believe, was far less agreeable than the price of the market:—except during an INFLUX of bullion; when the Bank purchases were making at a rate below the mint-price: and when, of course, that lower rate must have been the price of the market.*

The *fourth* proposition states, that, “GOLD turned into COIN forms a part of the circulating medium of the country, and that Bank notes constitute another part.” This I admit; but with distinctions that are material in the subject. The gold coin is valuable according to its weight. But the general and permanent value of Bank notes must be the same as the general and permanent value of that gold” which they represent; and “for which they are exchangeable.” (as mentioned by Mr. Thornton in a Note to page 82 of his Enquiry) When Mr. WINTHROP, late GOVERNOR of the Bank of England, was examined by the secret Committee of the House of Commons on the affairs of the Bank in 1797\*, he described Bank

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\* See, Minutes of the Secret Committee, page 61.

notes as “ *the REPRESENTATIVES of, what he conceived to be, the RIGHT circulating medium of the country—meaning gold and silver.*” And, my Lord LIVERPOOL correctly says\*, “ *PAPER can never be considered as coin; for it has no value in itself: it only obtains its (nominal) value with reference to the coins, which it represents.*” Therefore, though COINS and NOTES are *actually* PARTS of the circulating media of the country; yet the notes are *REAL-  
LY* part, only as they are REPRESENTATIVES of the COINS:—*in whatever state those coins are allowed to be current.*

The fifth proposition says “ It is natural to suppose that the price given by the Bank for gold, must form the current English price.” This is unquestionable. For, as “ *the Bank is the principal and almost the only English purchaser,*” the price paid by the Bank must be the current price: the scale of the *Bank business* making the comparatively few occasional purchases by JEWS and GOLDSMITHS insignificant exceptions: although those persons, when they have opportunities, of making profit, may sometimes advance on the current price of the Bank on particular days.

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\* Letter to the King, page 146.

It is a FACT mentioned by the late Bank-director Mr. Bosanquet\*, that “*the bullion brought into this country is almost invariably taken to the Bank for sale.*” Consequently, for the reasons which I have given (in page 173.) the current price must be fixed by the Bank.

I need not remind your Lordship that, *as the Bank is the principal and almost the only English PURCHASER of bullion during IMPORTATIONS, the Bank must also be the principal and almost the only English SELLER of bullion; when there is a great demand for EXPORTATION: and that Mr. THORNTON might therefore have stated, that the PRICE which the BANK RECEIVES must also be the CURRENT ENGLISH PRICE.* When Mr. Bosanquet gave to the Secret Committee, the information quoted above, he also informed them, that “*the price paid by the Bank for gold bullion was £3 : 17 : 6 an ounce—being four-pence halfpenny an ounce under the coinage price :*” and a difference between the two prices of nearly half per cent. If the Bank would be satisfied with *that profit*, (considering that *the expence of coinage is wholly de-*

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\* See, Minutes of the Secret Committee, 1797, page 28.

*frayed by the state*) I cannot find a valid reason why coin should not be exported, at any time, when the imperious necessities of the Government require money ABROAD for any purpose whatsoever.—But of this we shall speak again in future papers: and therefore I shall add here, only that the BANK DIRECTORS informed Mr. PITT\* on the 8th of October 1795, that the then “present price of gold was from £4 : 3 : 0 to £4 : 4 : 0 an ounce:” and that, I find, in December† 1800, and in June 1801, the price in London was £4 : 6 : 0 per ounce.

“Gold must be considered as dear, in proportion as goods, for which it is exchangeable, are cheap; and cheap in proportion as goods are dear.” This is the sixth proposition. When the price of gold bullion was £4 : 4 : 0 per ounce, (as reported by the Bank directors to the Chancellor of the Exchequer, in October 1795,) *with what goods was bullion purchased?* It could not be with guineas: for, guineas were issued from the mint at the rate of £3 : 17 : 10½ per ounce: whereas gold at

\* Appendix to the Minutes of Secret Committee on the Affairs of the Bank, 1797, No. 7, p. 171.

† Private Records of a Bullion Broker.

£4 : 4 : 0 was an advance of nearly eight per cent. on the mint price ! Therefore no person who had guineas, would think of purchasing bullion with them. Were the purchases made with British manufactures? or with the produce of foreign countries? I should think they were *not*. As I cannot see what benefit merchants could derive from purchasing with those commodities, gold at such an extravagant price. Would they not, in effect, by such purchases, abate the prices of the commodities given in exchange for bullion? Indeed the proposition says, that the gold, being so much above the mint price, was *dear*, and that *goods* must have been *cheap* in the same proportion. Is it within your Lordship's recollection that any commodities purchased by Government, during the year 1795, were cheap? I think that not only in that year, but also during the whole of the war, from its commencement to the peace of Amiens, every article, that Government stood in need of, was exorbitantly dear! Whether any bullion was bought by Government, during the war, is unknown to me: but it is not *improbable* that some purchases were made by Government *at the Bank*, or perhaps *through the agency of the Bank-broker*; who was a convenient person for mutual accom-

modation. I suppose it *probable*, because, Mr. Thornton says\*, that “*the Bank and the Government, like two wholesale dealers in a town, the one the only great buyer, and the other the only great seller, of the same article, naturally deal much with each other; and have, comparatively, small transactions with those who carry on only a more contracted business.*” But if Government *did* buy bullion either of the Bank, or through the agency of the Bank-broker, perhaps it was bought upon credit, in account with the Bank, on the pledge of certain TAXES: OR, upon the credit of EXCHEQUER BILLS, which were often at a discount. And, in that case, it might be thought (as Navy and Victualling bills were at a great discount) that Government ought to pay a HIGH PRICE for bullion; or in other words that the credit of the Government ought to be computed VERY CHEAP in comparison with gold! This argument appeared feasible until I referred to the “*Treasury account of money paid for expences abroad during the years 1793, 4, 5 and 1796†*”—wherein *specie* is mentioned only once; and that but

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\* Enquiry, page 61.

† Appendix (No. 20,) to the Minutes of the Secret Committee on the Bank, 1797.

£5000; although *the total expenditure* abroad in those years was near *thirty-three millions sterling*. However, it appears\* that the *Prussian subsidies* were conveyed through the agency of John Harman, Esq; who sent part of it in “*silver bullion—New Mexico dollars—in value £723,958 sterling—purchased, most of it, at the Bank of England.*” The rate per ounce is not mentioned.

I have been credibly informed, that the discount, on all the Exchequer, and Navy, and Victualling, bills, was invariably *allowed* by Government: consequently the discount on them could not affect the *price* of bullion; even though purchases had actually been made with those bills. But there is not sufficient evidence to conclude that they were, *at any time*, the goods with which bullion was bought. We are therefore compelled to presume that the bullion at £4 : 4 : 0 per ounce must have been purchased with Bank of England notes: and if that presumption is correct, it follows, from the proposition, that *those notes must have been cheap!* Your Lordship, perhaps, will

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\* Minutes of Secret Committee on the Bank, 1797, page 73.

ask *what could make Bank notes cheap, when the Bank would have paid them in guineas at £3 : 17 : 10½ an ounce ?* I answer that they could NOT be cheap, in comparison with GOLD, while the Bank would have paid them in guineas at the usual mint price.—But, if the issue of guineas had been suspended—then, I should answer—the PRICE, which the BANK charged for silver bullion, might make notes CHEAP. The effect is almost mechanical. When the SELLING PRICE\* of silver bullion at the Bank of England is so raised as to exceed the price which is in exact proportion to standard gold at £3 : 17 : 10½ per ounce, gold bullion is also raised in price ; so as to keep the relative proportion of the two metals, according to their valuations in the principal markets of Europe. I say EUROPE, although Mr. Thornton says† that “the value of gold in England is regulated by the general and permanent value of it all over the WORLD.” That gentleman certainly must have meant the comparative value which European merchants would set upon it in any part of the world.

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\* There are, I believe, always two prices at the Bank—one for buying, and another for selling, gold and silver bullion.

† See, the Note to page 82 of his Enquiry.

Gold and silver may alternately measure each other, when both are used as currency. If the NOMINAL value of *either* of them be over-rated, the MARKET value of the *other* will be raised in due proportion. But the full illustration of this fact must be deferred till a more convenient moment; when, I think, incontrovertible demonstrations will be given. In the mean time I must assume, generally, that *when gold bullion was £4 : 4 : 0 per ounce—silver bullion must have borne a price in proportion to that valuation:—*(referring to the general estimate of gold and silver in other European markets)—unless the SELLERS had any *private reason* for abatement, to encourage the sale of one metal in preference to the other.

Dr. Adam Smith mentions\*, that “*in the markets of Europe, in the French coin, and in the Dutch coin, ONE ounce of fine GOLD exchanges for about FOURTEEN ounces of SILVER.*” If this position is correct, I think that silver in England must be more than 5s. 7d. an ounce, before guineas could be exported with any prospect of advantage in the ordinary course of mercantile affairs: for (if

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\* Wealth of Nations. b. I. c. v. p. 64.

my calculations are accurate) gold is to silver in the English coins in the proportion of 1 to  $15\frac{1}{5}$ . I therefore suspect that Dr. Smith was misinformed; although I have not yet been able to procure that certain intelligence of the value of pure bullion in foreign mints and foreign markets, which is necessary to a decision on this point. Be the fact as it may, all the principal writers on this subject agree that *gold is over-rated in the English coins*: and the late Bank-director, Mr. Bosanquet, has this remarkable expression in his evidence (taken by the Secret Committee on the affairs of the Bank, in 1797\*.) “ *The Bank has given not more than 5s.  $1\frac{1}{2}$ d. an ounce for DOLLARS; which brings our STANDARD SILVER to about five shillings and FOUR-pence an ounce. The coinage price is five shillings and TWO-pence—* Here then it appears that *the Bank paid 5s. 4d. an ounce for standard silver when BANK NOTES might have been immediately afterwards converted into GUINEAS!* But it must be remembered that *the Bank BOUGHT the dollars to SELL them again for a PROFIT.* Consequently, we are to infer that, if the exchange had been instantly made for

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\* See, Minutes, page 28.

guineas, a PROFIT would have remained to the BANK:—therefore, silver at 5s. 4d. an ounce could not have been in *exact* proportion to gold at £3 : 17 : 10½ an ounce!—As the Bank gave, at the same time, only £3 : 17 : 6 per ounce for gold—the relative proportion of the Bank prices was then rather more than *fourteen and a half* to one.

I have said\* that *Bank notes could NOT have been cheap in comparison with gold; while those notes were payable at the Bank in guineas at the usual, or mint, price:* and therein I have, in effect, denied the supposition that gold at £4 : 4 : 0 an ounce was bought with Bank notes, in October 1795. To speak the truth, I cannot find *what* could have been given in England for gold at such a price: remembering that guineas were, at that period, payable *on demand* for Bank notes: and that Bank notes were the common medium of payment among all the principal merchants and bankers of London. Nevertheless, the words of the quoted paper are plain: “ *The present price of gold being from £4 : 3 : 0 to £4 : 4 : 0 per ounce;*

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\* Page 196.

and our guineas being to be had at £3 : 17 : 10½ per ounce, clearly demonstrates the grounds of our fears : it being only necessary to state these facts to the Chancellor of the Exchequer !” Again. In the Bank-directors’ minutes of an interview on the 18th of November 1795\*, it is said, that “the GOVERNOR informed Mr. PITT that the present price of gold was £4 : 2 : 0 per ounce ; and that the daily large drains of specie, from the Bank, filled the minds of the Directors with serious apprehensions !” The Bank-directors must certainly have meant the price in FOREIGN markets : although they have not so expressed themselves : and therefore, (relying on that conjecture) I shall suspend my enquiry on that point, until the prices of foreign markets come more immediately under our consideration. But, as so much has been said about the price in London, in October 1795, perhaps your Lordship will not be displeased to know what was really the *London price* in that month.

According to the tables, (subjoined to my Lord KING’s excellent “Thoughts on the Effects of

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\* Appendix to the Minutes of Secret Committee, 1797, p. 172.

the Bank Restrictions,") the *highest price of SILVER in the English market*, between January 1789, and the period of the Bank restrictions, in 1797, was 5s. 6d. an ounce: and that price was but of short duration. In September and October 1795, the price of silver bullion was only 5s. 5½d. per ounce. Yet, such were the *pressing demands upon the BANK for BULLION* that, the Directors thought it necessary to address Mr. PITT in the following terms\* :

*" Bank of England, 8th October, 1795.*

*" The very large and continued DRAIN of bullion  
 " and specie which the Bank has lately experienced,  
 " arising from the effects of the loan to the Emperor,  
 " and other subsidies, together with the prospect of  
 " the demand for gold not appearing likely soon to  
 " cease, has excited such apprehensions in the Court  
 " of Directors, that, on the most serious deliberation,  
 " they deem it right to communicate to the Chancellor  
 " of the Exchequer, the absolute necessity they conceive  
 " to exist for diminishing the sum of their present  
 " advances to Government.*

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\* Minutes of Secret Committee on the Bank, 1797, page 171.

“ *It must occur to Mr. Pitt’s recollection, that*  
 “ *last January the Governor and Deputy Governor*  
 “ *of the Bank, did, by instructions from their Court,*  
 “ *formally announce to him their apprehensions of*  
 “ *the consequences that were likely to ensue from the*  
 “ *Emperor’s loan taking place. The events seem*  
 “ *fully to justify their fears, and to render every*  
 “ *measure of caution necessary for their future*  
 “ *safety.*”

This large and continued drain, and the perilous state of the Bank, may convince your Lordship that, *if there had not been a powerful IMPEDIMENT, the price of silver bullion would soon have been RAISED by the Bank-directors.* But those gentlemen were, no doubt, aware that any attempt to raise the price of SILVER *above its relative proportion to GOLD, at £3 : 17 : 10½ an ounce, would instantly operate to prevent the SALE of their silver bullion; and compel those who wanted BULLION to take away GUINEAS.* The increased demand for guineas must have made the Directors *hasten the COINAGE of their gold bullion: which in that case, would have been sold at a profit of about nine shillings and eight-pence per cent.* Whereas silver bullion at 5s. 5½ per ounce, (three-pence half-

penny per ounce above the mint price) *probably* afforded a PROFIT to the Bank of, at least, FIVE, if not six, or seven, POUNDS per cent.! As the restriction had not *then* been imposed on the Bank issues of cash, the *merchants*, and the public could, on emergency, demand standard GOLD at £3 : 17 : 10½ an ounce: but SILVER, kept in BARS, or in FOREIGN COIN, could NOT be demanded; except at the price which the Bank-directors resolved to put upon it. The mint-price of GUINEAS, when they were payable on demand, was, in fact, the maximum of GOLD:—no man in his senses would give more, when he could demand it at that price. So, likewise, of SILVER, were it coined at the mint, the silver COINS would invariably determine the value of SILVER bullion: provided the currency of the present gold coins had permanently ceased. But whilst the GOLD COINS, which are OVER-VALUED at the mint, are used as English currency, those who know their real value—that is, the skilful merchants—will always chuse to pay in guineas. The bullion merchants will regard the maximum of silver merely to regulate their PURCHASES of silver bullion: which bullion they will never take to the mint to be coined at the mint price, while the coinage can

be on any terms avoided :—Or, should they deem it politic to comply with the public desires, and to get a *quantity of silver* COINED; *those* COINS *will be*, in a great measure, *withheld*; till the necessities of the public service abroad, shall afford a temptation to convey them away, at a profit proportioned to the difference between them and the nominal value of the circulating gold. But the bullion merchants will endeavour to avoid a silver coinage altogether :—unless they can persuade the Government to allow the NOMINAL *value* of silver to be so raised as to yield a certain and considerable profit : then their exertions will be directed to increase their profits; under a pretence of preventing exportation. For, most of the bullion merchants are also *general merchants*; and they cannot be ignorant how much an *addition* to the nominal value of the coin, tends to enrich themselves—at the expence of their KING, and of their COUNTRY.

The drain upon the Bank for “*bullion and specie*” having been large and continued, while silver bullion was at 5s. 5½d. per ounce; and as that drain must have been principally for exportation, and probably to the continent of Europe, it natu-

rally suggests the idea that SILVER, *at that price, could not* (according to the general estimate of gold and silver in the markets of Europe) *have exceeded the price proportioned to standard GOLD at £3 : 17 : 10½ an ounce:* and as the Bank-directors said there was no “*prospect of the demand for gold being likely soon to cease,*” it seems that guineas were drawn as much or more than silver bullion; and that consequently the difference could not have been material whether gold or silver were exported; provided the former could be safely conveyed in defiance of the law. Hence we may presume that these prices indicate with tolerable accuracy the comparative valuations of gold and silver in *foreign markets*: and their relative proportions upon these *data* appear to be about  $14\frac{2}{5}$  to 1.

It is, however, necessary to remark that, *there are a great number of merchants who do not understand the doctrine of proportions in the prices of the precious metals, in the science of money, and business of Exchange.* But their experience has taught them the apparently varying prices of bullion, and the necessity for sometimes using it both as an *Import*, and as an *Export*. They know that the

Bank price of gold, *before* the restriction, was generally £3 : 17 : 6 an ounce: and if any of them imported gold bullion and sold it to the Bank at that price; it is obvious that, when their subsequent occasions required an exportation of bullion, if guineas of full weight were secured, they lost in this country only the difference between the mint price, and that which they had previously received at the Bank—that is, about *half per cent.* But if they were so imprudent as to take guineas which were nearly the lowest weight allowed to be “*legal tender*” in England; their loss in that case might be nearly *one and three quarters per cent.*! Your Lordship will therefore perceive the reason why merchants, and dealers in bullion and Exchange, select the heaviest coins for exportation, and keep the lightest at home for payments in Great Britain.

Lord Liverpool commends\* the Bank-directors for *weighing* all the English gold coins taken into the Bank: and his Lordship considers weighing *an act of duty* in obedience to the law, and to the King’s proclamation. But, as there are *not many*

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\* See, Letter to the King, page 216.

places where the value of a grain of gold is better understood than at the Bank of England, *the Directors could assign a very sufficient reason for weighing the guineas*, without adverting either to the law, or to the proclamation. Indeed the noble Earl states that a proposal was made, “ at the time of the recoinage, that the different gold coins should continue in currency, and be legal tender ; on condition that TWO-PENCE should be allowed for every grain deficient: for two-pence is nearly the value of a grain of gold. By this rule the guineas might be weighed in numbers, and even in bags, as is now practised, in some foreign countries, with the silver coins, of which their currency principally consists; and (as his Lordship was informed) with gold ducats in Holland: and it was suggested, that a table should be constructed to shew what the weight ought to be of any number of gold coins from one to a thousand, which might be carried in every man’s pocket-book. *This method is certainly conformable to the ancient practice of weighing silver coins, called compensatio ad pensum: and (his Lordship continues) it would certainly have the effect of preventing, in a great degree, the exportation of heavy gold coins, or the diminution of them by any art whatsoever; for NO PROFIT COULD THEN*

BE DERIVED FROM THESE PRACTICES. It was thought necessary, however, by those who approved this system of weighing, that there should be a *minimum* in the weight of single pieces, below which they should not be allowed to be current, but be defaced and returned to the mint.\*''

It is impossible to conceive more excellent advice: and if it were reduced to practice with respect to *both* the *gold* and the *silver* coins of this empire, the effect upon the prices of commodities would be almost miraculous.

I wish that my Lord Liverpool had mentioned why that salutary counsel was rejected:—and why the minimum was adopted without the equitable condition which was also recommended; and which even his Lordship applauds in describing some of the consequences that would have probably followed.

Having submitted to your Lordship that standard silver at 5s. 5½d. an ounce, and standard gold at £3 : 17 : 10½ an ounce may, by inference,

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\* Letter to the King, page 217.

be regarded as in due proportion to each other; and that *if the NOMINAL value of either of them be over-rated, the MARKET value of the other will be raised in equal proportion\**, it may, perhaps, be expected that I shall now give some evidence of this truth: although I reserve a more copious illustration for future papers. I do therefore most particularly request your Lordship's attention to the first act of the Bank-directors, after the issues of gold were suspended by the order of council, in February 1797.

I pass over the act of the legislature, which authorized the suspension of the cash payments at the Bank; because Mr. Thornton sayst that "*the Parliament were led, by the practical view which they took of the subject, to disregard theory, as well as some popular prejudice, for the sake of more effectually guarding the public safety, and promoting real justice:*" and because these considerations merit a separate enquiry.

That gentleman also says, that "*The danger chiefly to be apprehended in London (from the re-*

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\* See, page 197. † Enquiry, page 113.

striction) was that the common class of people, not receiving their pay in the usual article of coin, and not knowing at the first, that one and two pound notes would purchase every thing in the same manner as gold, might be excited to some tumultuous proceedings. It was also feared that, through the discredit cast on small notes, this new paper might fall, at the first issue of it, to a discount. It was important, therefore, to continue for a time to pay the labouring people with money."

But so great had been the scarcity of silver coin in London, as well as in all parts of the kingdom, that on the preceding "3d of February 1797, the Governor of the Bank mentioned to Mr. Pitt the great distress and inconvenience which the Bank, the bankers, and the public suffered for want of a fresh coinage of silver; and requested the Chancellor of the Exchequer to take some early measures for a redress thereof by a new coinage, at least, of some part of what would be wanted\*."

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\* Minutes of Secret Committee on the Bank, 1797-  
page 188.

I do not stop to inquire why the Bank-directors did not send silver bullion from the Bank to be coined? Knowing, as they must, that the mint was open to them, *as well for the coinage of SILVER, as for the coinage of GOLD!* Your Lordship will, no doubt, infer the reason of that forbearance, when it is recollected that *the Bank mode of supplying the public with money for the payment of labourers, was by issuing Spanish dollars at the nominal value of four shillings and NINE-pence each!* Whereas, (if we may admit the evidence of Mr. D'OLIER\*, a bullion merchant, and one of the Bank of Ireland-directors) *the value of a dollar at the British mint is "about four shillings and FOUR-pence!"* The nominal value of each dollar was consequently increased FIVE-PENCE. Now if four shillings and four-pence gain five-pence, £100 in the same proportion must gain £9 : 12 : 3. Therefore the silver of the Bank was raised £9 : 12 : 3 per cent. above the mint price of silver!

But it will be objected that *the Bank dollars were not the money of the state; and therefore could not be deemed the currency of the country!*—I

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\* Minutes of the Exchange Committee, page 84.

beg leave to answer that, *whatsoever money is issued from the Bank, WITH THE CONSENT OF THE GOVERNMENT, the money so issued is, for the time being, the measure of value in the kingdom:* and is so considered by all who thoroughly understand the science of money: and more especially by the dealers in bullion, and dealers in Exchange. And, I beg leave further to submit, that THE NOMINAL VALUE OF ALL COMMODITIES WILL RISE IN PROPORTION TO THE ACTUAL INCREASE IN THE NOMINAL VALUE OF THE NEW MONEY:—*provided the increase of nominal value be made upon the metal which has usually been taken as the measure of value in the kingdom. But, if GOLD and SILVER circulate at the same time as the currency of the kingdom, then the METAL which is OVER-RATED will become the measure of value; because IT IS THE INTEREST OF ALL MERCHANTS TO MAKE THEIR PAYMENTS IN THAT METAL, WHICH WILL DISCHARGE THE GREATEST QUANTITY OF THEIR DEBTS:—whether those debts be DUTIES payable to the GOVERNMENT, or the results of contracts with private individuals;—and because they are always liable to be paid, for their commodities, in the same money: that is, in the money which has been OVER-RATED at the MINT.*

It is for this reason that gold has been constantly used by the Governor and Company of the Bank of England as their money payment. And the duration of their practice made my Lord Liverpool\* conclude, that “*the gold coins are now become, in the practice and opinion of the people, the principal measure of property.*” But we have just seen that the people have had no option: although the Bank-directors have had the power of chusing which of the two metals should constitute their payment: therefore those who demanded cash for Bank notes were *compelled* to take the metal which was offered to them in legal coins! Has the Bank ever been willing to coin and issue silver at the mint price, either before or since the Governor felt the public want so great, as to become himself the organ of public complaint; and to demand a new coinage from the Chancellor of the Exchequer? I am persuaded that no such disposition could be found in the Bank. For, my Lord, one of the Directors, (who has passed the chair,) gave ME personally to understand that SILVER is not rated at the mint in proportion to GOLD: and that the nominal value of

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\* Letter to the King, page 141.

*silver in the mint coins ought to be raised!* Who occasioned the disproportion between the two kinds of coin? The question is worthy of your Lordship's attention. If it should hereafter appear that the Bank of England were the original cause of the high valuation of gold at the mint, the public will probably be surprized to find that the Bank-directors object to coin silver, because their own body, either directly or indirectly, destroyed the due proportion between it and gold. Yet such, I believe, is the actual fact!

“ The mint indentures of Charles II. James II. William III. and Queen Anne, and even a part of George I. to the year 1717, had determined that the *guinea* should pass at the rate or value of *twenty* shillings, and the other gold coins in proportion : yet they did not pass at that which was then their legal rate or value, but at a much higher rate or value : and in part of the reign of King William the *guinea* was current at even so high a value as *thirty shillings!* This increased rate or value” (says Lord Liverpool) “ was not owing singly to a mistaken estimation at the mint, of the relative value of gold to silver, but *the gold coins rose or fell as the silver coins were less or*

*more perfect!* No such increase, or variation, in the value of the gold coin has taken place, since the year 1717, when the rate or value of the guinea was determined by proclamation, and the mint indenture, to be *twenty-one* shillings, and the other gold coins in proportion: though the silver coins now current have long been, and are still, at least as deficient as they were in the beginning of the reign of King William. The guinea, and the other gold coins have, notwithstanding constantly passed, since 1717, at the rate or value given them by the mint indentures\*.”

The noble Earl seems here to have forgotten that since the period he mentions, *Bank notes have been, in London, the general medium of all payments*; and that, consequently, *the price of gold, like that of every other commodity, must have depended on the quality of the money which those notes represented*. Before the year 1696, the current coins alone were the measure of all value: and then there was no reservoir from whence guineas could be occasionally drawn; excepting those of the Jews and goldsmiths: whose profits were in-

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\* Letter to the King, page 141.

creased by the clippings of the coin. But *from 1696 to 1797, the Governor and Company of the Bank of England were bound to pay their notes on demand*:—and that obligation compelled them to procure continual supplies of gold coins from the mint: which coins were therefore always in a tolerable state of perfection: and, being the only money to be had in large sums, they became, of course, the principal measure of value. However, *since the Bank restriction*, the Directors have thought it expedient to use SILVER rather than GOLD; because, *under the sanction which enabled them to raise the value of silver, a barrier is erected to prevent the MARKET PRICE of GOLD falling to a level with the MINT PRICE*:—and because *that SEEMING high price of GOLD is a good argument for the CONTINUANCE of the Bank restriction!* SILVER is, in fact, the *acknowledged* measure of value, I think, in all the states of Europe, excepting Great Britain: and if the gold coins of England formerly “*rose or fell as the silver coins were less or more perfect* ;” so, in the present day, they will be found to *vary in price*! (as far as the law will let them) *according to the rate at which SILVER bullion can be procured in Exchange for BANK NOTES!* “*The question of prices is a ques-*

*tion of POWER, and of power only; and, in the event of the scarcity of any commodity, the BUYERS are more or less under the power of the SELLERS, in proportion as the article in question is of more or less urgent necessity\*.*" The Bank-directors are almost the only SELLERS of bullion, upon a large scale, in England. *If they use their POWER to raise the price of SILVER bullion ABOVE the price proportioned to GOLD at £3 : 17 : 10½ an ounce, their advanced price of BULLION will be the same thing as a reduction of the COIN : and BANK NOTES will consequently be the REPRESENTATIVES OF COIN REDUCED IN VALUE.* For, Mr. Thornton truly says† that, "*the advanced price of GOODS is the same thing as a reduced price of COIN!*" Immediately after the Bank restriction, the Bank-directors did use their POWER, under the sanction of Government, to raise the NOMINAL value of dollars from four shillings and FOUR-pence to four shillings and NINE-pence each: and thereby (if 4s. 4d. is the mint value of a dollar) they raised the NOMINAL value of MINT SILVER £9 : 12 : 3 per cent! But it appears, by the preceeding extract from Lord Liverpool, that GOLD BULLION was

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\* Thornton's Enquiry, p. 271.      † Enquiry, p. 211.

*raised five pounds per cent. in the year 1717; when "the rate or nominal value of the guinea was altered by proclamation, and the mint indenture, from twenty to twenty-one shillings:" at which latter rate it has ever since been current.*

If my inference (in page 205) is correct, that *silver at 5s. 5d $\frac{1}{2}$ . an ounce is in due proportion to guineas at £3 : 17 : 10 $\frac{1}{2}$  an ounce, the difference between the proportional and the mint value of silver is £5 : 11 : 1 per cent.: therefore the guinea, when current at TWENTY SHILLINGS, was rather OVER-RATED AT THE MINT in comparison with SILVER COIN!*

What was the effect of raising gold coin £5 per cent.? Truly, my Lord, it may have been a mere trifle in the estimation of the Bank-directors: who, it will be recollected, were in that day the principal merchants of the kingdom, and the confidential advisers of the King's ministers in all cases of pecuniary difficulties! But to me, who am not much used to exorbitant profits, it seems to have been a matter of serious consequence—to the Government, to the King, and to the public. In the first place, RAISING the gold coin £5 per

cent. was, in effect, DEDUCTING £5 per cent. from all DEBTS due from the BANK of England upon the NOTES then in circulation!! It was deducting £5 per cent. from all debts due from the merchants in their private commercial dealings!! It was deducting £5 per cent. from all the DUTIES payable by the MERCHANTS on their several IMPORTATIONS!! It was permanently deducting £5 per cent. from the KING'S PRIVATE REVENUE!! and from the whole rental of the established church!! It was deducting £5 per cent. from the salary of every public officer, every private officer, and every annuitant in the King's dominions!! It was deducting £5 per cent. from the pay of every British soldier and British sailor!! It was deducting £5 per cent. from the rental of every individual in the kingdom, who was not acquainted with the important secret!! And, finally, it was deducting £5 per cent. from the whole national revenue!!!

It may possibly be urged that the alteration in the permanent value of the guinea, was a measure advised by the House of Commons in consequence of a "Representation which had been made to the Treasury by Sir Isaac Newton, master of the mint, and of Mr. Caswel, who explained the na-

*ture of a clandestine trade carried on by the DUTCH and HAMBURGERS, in concert with the JEWS of ENGLAND, and other TRADERS, by EXPORTING SILVER COIN, and IMPORTING GOLD; which, being coined at the mint, yielded a profit of FIFTEEN-pence upon every GUINEA! The House, in an address to the KING, desired that a proclamation might be issued, forbidding all persons to UTTER or RECEIVE guineas at a higher rate than ONE-and-TWENTY shillings each. His Majesty complied with that request: but, people hoarding up their silver, in hopes that the price of it would be raised, or in apprehension that the gold would be lowered still farther, the two Houses resolved that the standard of the gold and silver coins of the kingdom should not be altered in fineness, weight, or denomination; and they ordered a bill to be brought in, to prevent the melting down of the SILVER COIN\*." The expectation of the people, that SILVER would be RAISED, or the gold lowered still farther, partly confirms my doctrine: and the address of the Commons shews that the CAUSE of their complaint was a growing enormity. Yet the measure recommended is, to my mind, convincing evidence*

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\* Smollett's England.







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